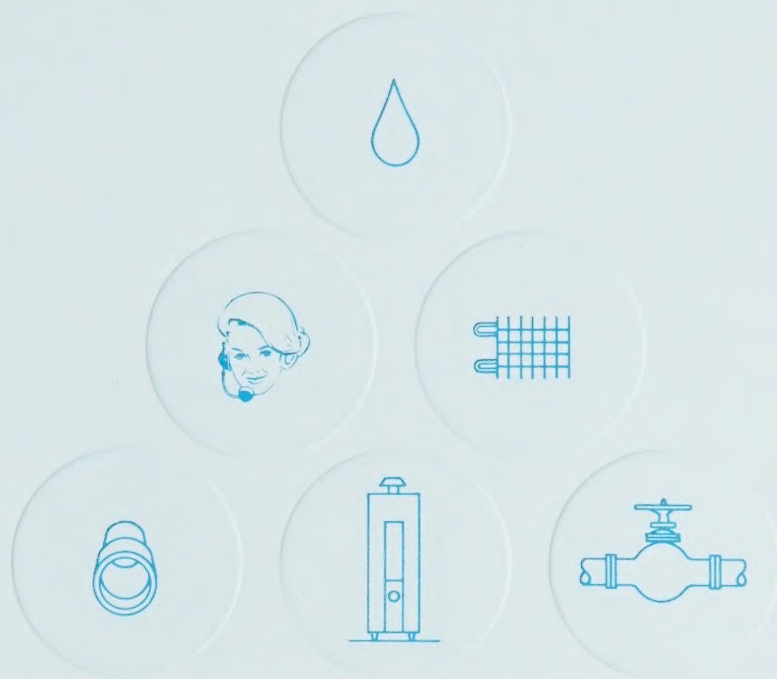


AR36



GENERAL WATERWORKS CORPORATION • ANNUAL REPORT 1966





GWC PRINCIPAL SERVICES AND PRODUCTS



Policy and Aims of the Company . . .

- To provide dependable utility service at the lowest rates which are economically sound
- To provide useful, needed and well manufactured products of quality at competitive prices
- To process and manufacture wholesome dairy products dependably delivered to its customers
- To improve its services and products by expansion, research and development
- To give stable employment at fair wages and under good working conditions to its employees
- To earn for those who have invested their savings in this enterprise a fair return on their investment

This company seeks to fulfill its obligations as a citizen by taking an active part in the movements designed to bring about civic progress and betterment wherever it and its subsidiaries operate.

GENERAL ANNUAL
WATERWORKS REVIEW
CORPORATION 1966

DIRECTORS

HOWARD BUTCHER, III
W. W. KEEN BUTCHER
JOHN A. GUBANICH
WILLIAM M. HUNT
VANCE F. RIGLING
JOHN M. SEABROOK
W. FREDERICK SPENCE

OFFICERS

HOWARD BUTCHER, III
Chairman
W. W. KEEN BUTCHER
Vice Chairman

JOHN M. SEABROOK
President

VANCE F. RIGLING
*Executive Vice President and
General Manager—Utilities*

RAY C. CHAFFEE
*Vice President
Communications Service*

JOSEPH E. GRIFFIN
Vice President—Utilities

JOHN A. GUBANICH
Vice President—Finance

JOHN T. JACOBSON
Vice President—Industrials

PETER KEBER
*Vice President and Secretary
General Counsel*

W. FREDERICK SPENCE
Vice President

CLARENCE B. REX
Treasurer

GEORGE W. FRANK
Controller

ALBERT I. WEISSKOPF
HERBERT L. LYON
Assistant Treasurer-Assistant Secretary

OFFICES

Executive—1500 Walnut Street, Philadelphia, Pa.
General—701 Main Street, Pine Bluff, Arkansas
Home—3219 Philadelphia Pike, Claymont, Delaware

TRANSFER AGENT

Provident National Bank
Philadelphia, Pa.

https://archive.org/details/Gene1946_1966

General Waterworks Corporation

Comparative Highlights

	1966	1965
Product sales.....	\$ 213 446 000	187 017 000
Utility and service revenues.....	33 249 000	25 113 000
Other.....	2 776 000	2 507 000
Net income.....	16 733 000	7 109 000
Preferred dividends paid.....	2 260 000	1 423 000
Income applicable to common stock.....	14 473 000	5 686 000
Net income per average share of common stock:		
From operations.....	\$ 3.16	2.31
From property and investment sales.....	4.00	.85
	<u>\$ 7.16</u>	<u>3.16</u>
Book value per common share.....	\$26.42	21.46
Total assets at December 31.....	\$ 304 674 000	252 045 000

Pursuant to the By-Laws of the Company, The Annual Meeting of Stockholders will be held on May 15, 1967. The Board of Directors has set the meeting to be held at 9:00 o'clock A.M. (E.D.S.T.) at the Home Office, 3219 Philadelphia Pike, Claymont, Delaware.

The holders of \$6 Voting Preferred, \$5 Voting Preferred, \$4.50 Voting Preferred, \$4.40 Voting Preferred, \$2 Dividend Voting Second Preferred, 80¢ Dividend Voting Second Preferred and Common Stock of the Company, of record at the close of business April 14, 1967, shall be entitled to vote at the Meeting or any adjournment thereof, as set forth in the Notice thereof.

The within report is not a representation, prospectus or circular in respect of any stock or security of any corporation, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiation for sale.

Officers' Letter To Stockholders

ANOTHER RECORD YEAR

Net income more than doubled, rising to \$16,733,000 from \$7,109,000 in 1965. Earnings per share in 1966 were \$7.16, up from \$3.16 in 1965.

A few people still persist in partially disregarding that part of our net income that comes from capital gains, even though these gains have been realized in nearly every year since our incorporation in 1942 and have averaged \$1.82 per share in the past five years. From operations only, our earnings per share were \$3.16 in 1966, \$2.31 in 1965, \$1.88 in 1964, \$1.65 in 1963 and \$1.32 in 1962—a steady, solid growth. We expect further growth in 1967.

The biggest gain in net income for 1966 came from our group of industrial companies. These earnings rose to \$5,376,000 from \$1,687,000 in 1965. The performance of our 56% owned subsidiary, the Walworth Company, was really spectacular; and, in addition, the earnings from the balance of our group of industrial companies more than doubled. We had a gain from our Communications Services Division, our Utility earnings were slightly below last year's, and adverse marketing conditions resulted in a decline in our earnings from Dairy operations.

The bulk of our capital gains came from the sale in February 1966 of 575,000 shares of the common stock of the Continental Telephone Corporation. We still have unencumbered 392,250 shares of this common stock in addition to the 920,000 shares reserved for redemption of our preferred stock. We now have investments, subsidiary as well as other, in which "paper profits" or potential gains are more than at any prior year-end, so it is reasonable to expect our capital gains record to continue.

In February 1966, we placed privately 230,000 General Waterworks Corporation Preferred shares at \$110 each, for \$25,300,000. These shares pay \$4.40

per share, so that General's cost is 4%. Each Preferred share is redeemable at the option of the holder, from 1968 on, into 4 shares of Continental Telephone common. If redemption takes place, the Preferred will disappear, and so will 920,000 Continental Telephone shares, and we can keep the \$25 million. Also in February 1966, we sold 575,000 shares of the common stock of Continental for \$14,300,000, netting us a profit after taxes of about \$8,500,000.

During 1966, we acquired six water properties in Florida and four steam heating properties in Pennsylvania. We also acquired telephone answering service properties in New York, the Midwest, the Southwest, the Far West and in Canada. In addition, we had substantial internal growth in many of our utility and communications properties.

During the year 1966 our management structure was reorganized to define more clearly the responsibilities of the people who direct our fast growing businesses. We now have four main divisions—Utilities, Industrials, Communications and Dairy. The four heads of these operating divisions are supported by a small corporate staff including a vice president-law, a vice president-finance, a treasurer and a controller. The completion of our new office building has permitted the location of all of these officers, except for the dairy division head, in Philadelphia. These moves have contributed to our ability to make profits now and in the future through greatly improved coordination and communication among our many businesses.

We always delegate maximum authority for operations to the officers of our subsidiary companies, but we insist they earn a good return on the assets placed at their disposal. During the year a corporate controller's department was organized to expedite and

improve the flow of this vital management information. We also made changes in the treasurer's department so as to control more effectively our cash and improve our relations with the large number of banks that we and our subsidiaries deal with around the world.

Over the years we have followed a deliberate policy of buying industrial companies that were in trouble because we could earn a better return on our investment. Every single one of the industrial properties we have acquired was rundown and needed to be completely overhauled. All except Amvit have responded well and in the process we have developed some fine management teams. While all of this was going on, however, we may not have been equally generous with management development for our utilities division. Late in 1966, we established a new post, vice president-utilities, reporting to the utilities division head and we grouped here certain functions that were formerly performed for the utilities by the corporate staff. We were disappointed with the net income from the utilities division in 1966 and we believe that the changes we have made will help. We are expecting substantial improvement in 1967.

None of these organizational changes would have been effective without the fine people to carry them out and elsewhere in this report we have set forth the specific changes.

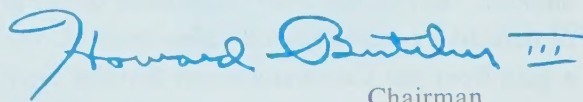
We, of course, continued our policy of paying 6% in stock dividends on our common shares, half in May and half in November. This dividend is free from Federal income taxes to the recipient, and even when sold costs our stockholders less tax than if the same amount of cash had been distributed. This re-

sults annually in an increase in our equity capitalization and the retention of cash needed for additional construction and new acquisitions. This reinvestment of added capital in earning properties is one fundamental reason why our earnings keep rising so fast. The book value of our common reached a new high of \$26.42, an increase of 23% over last year, by retention of these earnings. Book value would be very much greater if the unrealized profits on our investments were included in the year-end financial statements.

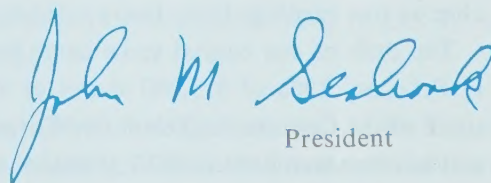
Our Company and its subsidiaries are manned by a loyal, hardworking and experienced staff numbering over 15,000, of whom we can all be proud. Our success during these twenty-four years is due to the untiring efforts of those faithful men and women, many of them substantial stockholders.

With deep regret we report the death on May 20, 1966 of J. Richard Pierce, one of our founding directors.

Respectfully submitted,



Chairman



President

April 19, 1967

Another Record Performance

The record performance and forward momentum achieved by the Company in 1966 were the result of successful investments in people and businesses. As in every year since the Company's inception in 1942, the objective was to make the best possible return for stockholders.

Through the years management made controlling or minority investments in businesses which were deemed to be compatible with this objective. Expert staffs were assembled to assist in this development. The Company constantly reviews its investments—whether controlling or minority. Often additional commitments are made to acquire control and just as frequently the investment is sold if it appears the objective will not be attained. The cycle of making the investment, operating to enhance its value, and the ultimate disposition does not alter or bring an end to the Company's business, but rather causes the birth of a new cycle—one with expanded resources and greater possibilities for achievement and growth.

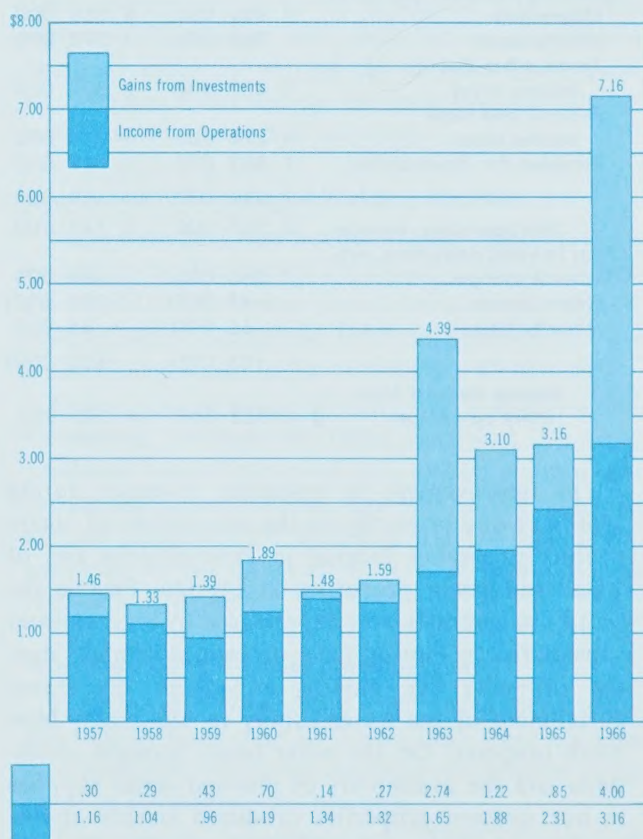
The following is a comparative review of the performance of the Company's many areas of operations for the years 1966 and 1965:

	Contribution to Net Income Per Share*	
	1966	1965
Areas of operations:		
Industrial.....	\$ 2.66	\$.94
Utility.....	1.99	2.44
Communications services.....	.32	.27
Dairy.....	.10	.34
Gains on sales of properties and investments.....	4.00	.85
Other, less parent company interest expense.....	(.79)	(.89)
Net income.....	8.28	3.95
Dividends on preferred stocks.....	(1.12)	(.79)
Net income applicable to common stock.....	<u>\$ 7.16</u>	<u>\$ 3.16</u>

*Based on average shares outstanding during the year.

Net Income Per Average Share of Common Stock

(in dollars)



UTILITY

Although income from the utility phase of the Company's operation declined slightly during 1966, these operations still contribute a significant portion to the net income of the Company. The tabulation on pages 24 and 25 of this report indicate the type of utility service provided, the subsidiaries providing this service, the population and number of customers served, and the areas in which the utility subsidiaries operate.

The following is a comparative summary of utility operations:

	1966	1965
Operating revenues.....	\$21 528 000	18 372 000
Operating expenses and taxes:		
Operations.....	9 909 000	8 238 000
Maintenance.....	1 784 000	1 398 000
Taxes, other than		
income taxes.....	2 472 000	2 301 000
Federal and state		
income taxes.....	1 274 000	1 024 000
Provision for depreciation.....	1 882 000	1 669 000
	<u>17 321 000</u>	<u>14 630 000</u>
Net operating revenues.....	4 207 000	3 742 000
Other (credits) deductions, net:		
Interest charges.....	568 000	489 000
Other income.....	(448 000)	(1 205 000)
Minority interest.....	65 000	66 000
	<u>185 000</u>	<u>(650 000)</u>
Income derived from		
utility operations.....	<u>\$ 4 022 000</u>	<u>4 392 000</u>

The improvement in operating revenues during 1966 was due primarily to the acquisition of steam heating properties located in Pennsylvania and of water and sewer properties in Florida. Sizable decreases in revenues were experienced by several water subsidiaries in Florida from prolonged rainfalls during normally dry months and from the severe curtailment of the water supply to our major New York property. On the other hand, drought conditions and the availability of planned water supplies in our western properties produced sizable above-normal gains in revenues. This geographic diversification, as proved here and many times in the past, neutralizes the economic misfortune of one region with the favorable developments in another.

Income from the temporary investment of cash balances maintained by the utilities was considerably lower in 1966 than in 1965. This was the major cause for the slight decline in income derived from the utility business.

The Company's program for the acquisition of utility properties continued at an active level in 1966.

In February 1966, the Company purchased four steam heating properties located in eastern Pennsylvania. Then in June 1966 two companies serving more than 16,000 water and sewer customers in suburban Jacksonville, Florida were acquired by issuance of a series of preferred stock. Two smaller water and sewer systems in the Jacksonville area were acquired later in the year. The acquisition of the Jacksonville properties will provide immediate increments to utility income and in addition place the Company in a strategic position to increase substantially the size of the utility operations in this area through growth of the acquired systems plus acquisition of several other similar utilities in the area. In 1966 we also acquired two existing water utilities in central Florida which will be integrated with the present utility operations in Winter Park. Substantial future growth appears likely in this latter area as it is close to the proposed new Florida Disneyland development as well as the new Florida Technological University.

Additions to plant account in 1966 aggregated more than \$7,500,000. The major portion of the expenditures, other than those concerned with normal customer growth and expansion, was for the development of new and better sources of supply for increased transmission and distribution plant. It is anticipated that capital expenditures in 1967 will exceed eight million dollars.

Company rate analysts were extremely busy throughout the year. This staff was concerned with nineteen separate rate cases. This involved bringing outstanding cases to conclusion, handling current cases and preparing data for future submission. As a result of these activities, rates placed in effect in 1966 were sufficient to yield \$366,000 of additional revenues on an annual basis. Of this total, \$194,000 is reflected in revenues for 1966. Hearings are in progress on rate increase applications aggregating \$634,000 and, in addition, there are applications to yield additional increases to total approximately \$200,000 in various stages of preparation.

The acquisitions made during 1966 provide a firm foundation for substantial improvement in net income from utility operations during 1967. The Company will continue to seek utility properties which will make desirable acquisitions so that greater growth and profitability will be added to this phase of the Company's business.

INDUSTRIALS

The industrial segment of the Company's business includes the operations of its wholly-owned subsidiaries—Frick Company, Pennsylvania-Bradford Appliance Corporation, Southwest Fabricating & Welding Co., Inc. and American Portable Irrigation Company; its 81% interest in American Vitirified Products Company, and the 56% holding in Walworth Company. All these subsidiaries, except for American Vitirified, showed profits for 1966, and all, except American Vitirified and Pennsylvania-Bradford, reflected substantial gains over 1965. The results of operations for the year 1966, as compared with 1965, of this phase of Company business is reflected in the following summary of income:

	1966	1965
Net sales.....	\$141 080 000	117 783 000
Costs and expenses:		
Cost of goods sold.....	111 200 000	96 698 000
Selling, general and administrative expenses.....	17 581 000	14 901 000
Depreciation and amortization.....	2 696 000	2 681 000
	<u>131 477 000</u>	<u>114 280 000</u>
Operating income.....	9 603 000	3 503 000
Other (credits) deductions, net:		
Interest expense.....	1 467 000	1 419 000
Other income, less other expenses.....	(720 000)	(298 000)
	<u>747 000</u>	<u>1 121 000</u>
Income before income taxes....	8 856 000	2 382 000
Federal and state income taxes.....	1 787 000	782 000
	<u>7 069 000</u>	<u>1 600 000</u>
Minority interest.....	1 693 000	(87 000)
Income derived from industrial operations.....	<u>\$ 5 376 000</u>	<u>1 687 000</u>

Frick Company

Frick Company recovered rapidly from a prolonged strike which lasted through the first quarter of the year at its Refrigeration Division. The subsidiary ended the year with sales 15% above the highest previous year's volume. Net income exceeded that of any previous year. Aggressive cost reduction, product redesign and a new product development program begun in 1966 are already yielding increased profits and should have an increasingly favorable impact on operating results in 1967 and beyond. Additional programs of this nature are being initiated as rapidly as the company's resources permit.

Frick will announce a totally new line of evaporative condensers shortly. Also, notable engineering advances in its lines of rotary compressors, freezing tunnels and packaged chillers for the drug and chemical industry will broaden and strengthen its line in 1967. These advances will further enhance Frick's more than a century-old reputation as a designer and producer of soundly engineered quality refrigeration equipment and systems.

Pennsylvania-Bradford Appliance Corporation

This division, in the face of declining housing starts and other adverse market conditions during 1966, maintained approximately its 1965 sales volume and profitability. Plans for 1967 are predicated upon a continued short-term depression in the market with manufacturing and distribution capabilities being strengthened so that this division can expand its position materially as the new housing market experiences its predicted recovery.

Southwest Fabricating & Welding Co., Inc.

Sales were 28% and net income 60% above 1965's record levels. The capital expansion in the oil, petrochemical, chemical and power industries continued as anticipated throughout 1966 and appears, as indicated by bookings, to be continuing well into 1967.

Orders now on hand will make 1967 a year in which Southwest, through its Delta Southern Division, produced major fabricated and welded components for atomic power systems. This will add to its list of already demonstrated technical and production capabilities in the fabrication of heat exchange and cryogenic equipment.

American Portable Irrigation Company

For the fifth consecutive year, sales increased—this time by more than 50% over 1965. Earnings also increased and substantial investments continue to be made in developing this business.

The already comprehensive "IRECO" line of labor and water saving irrigation equipment will be augmented early in 1967 by the "Hydro-Move", a revolutionary self-propelled (water pressure actuated) continuous move sprinkler system. This system is virtually labor-free and applies water 30% more efficiently than previously available systems. Moreover, increased reliance on this organization's unique capabilities in the field of precision die casting is being demonstrated by such customers as Boeing, IBM, SCM, Northrop, NCR, Sperry Rand, Honeywell and others.

Plans for 1967, therefore, project further growth in sales and a substantial increase in earnings as the benefits of capital and operational improvement programs are realized in increasing measure.

American Vitrified Products Company

Again in 1966 the company operated at a loss. However, despite a 20% decline in sales, American Vitrified was able to maintain its share of the markets and to hold the operating loss to approximately the 1965 level through continuing efforts toward improving performance in all aspects of operations. The drop in the number of housing starts and the near disappearance of Federal aid in major sewerage and drainage projects contributed to a major extent to this decline in sales.

Plans for 1967, must, unfortunately, be predicated on a continuation through most of the construction season of below normal activity in housing, sewerage and drainage construction in many of the company's market areas. However, the introduction early in 1967 of the first reasonably priced reliable and simple to operate laser device for guiding contractors' crews in the laying of sewers will reinforce AMVIT's

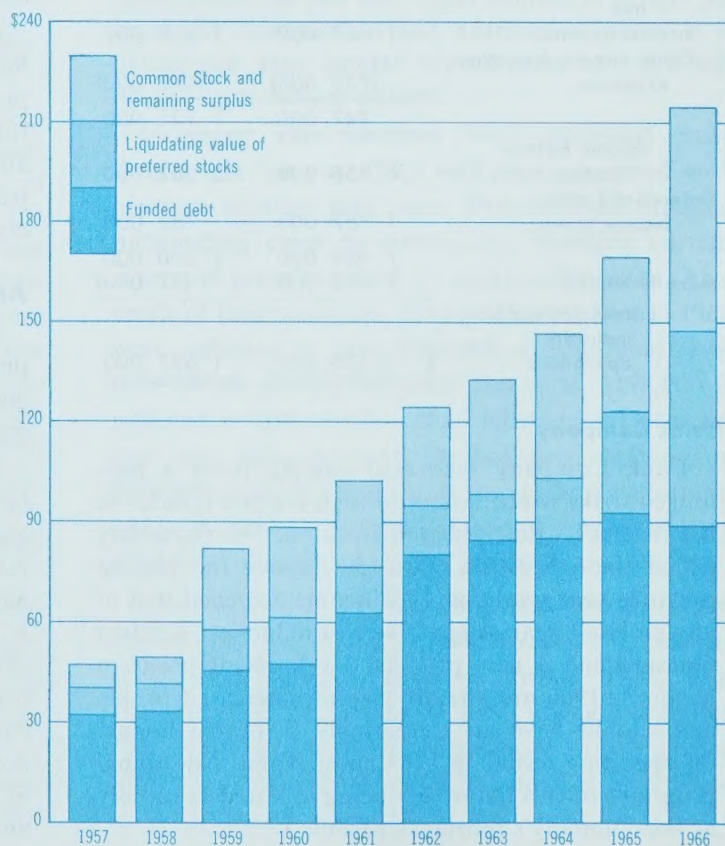
image of leadership, and position it more favorably to take full advantage of the expected uptrend in its market.

Walworth Company

Your Company owns approximately 56% of the capital stock of this outstanding valve manufacturer. Walworth reported a continued improvement in operating results for 1966. Net sales increased in 1966 by 33%—an increase greater than the industry average. The contribution of this company to the "Income derived from industrial operations" in the foregoing summary of income, increased from \$259,000 in 1965 to \$2,268,000 in 1966.

In solidifying its position in the valve industry, the company has initiated an extensive equipment expansion program, developed new product designs and manufacturing techniques, and introduced new varieties of valves meeting the current demands of industry, especially in the area of nuclear and marine needs. The company is starting 1967 with a record sold backlog. Walworth officers predict satisfactory operating results should continue through 1967.

Consolidated Capitalization
(in millions of dollars)



COMMUNICATIONS SERVICES

This division has made significant strides in contributing to overall Company operations. The change in name from Telephone Answering Services to Communications Services results from broadened and expanded services being offered to customers. The name change also positions the division for future expansion in the growing communications field. The localities in which operations are maintained are tabulated on page 28 of this report.

The results of operations of the Communications Services division are as follows:

	1966	1965
Service income.....	\$10 486 000	6 432 000
Costs and expenses:		
Operating expenses, selling and administrative expenses.....	8 945 000	5 413 000
Depreciation and amortization.....	322 000	163 000
	9 267 000	5 576 000
Operating income.....	1 219 000	856 000
Other (credits) deductions, net:		
Interest expense.....	49 000	42 000
Miscellaneous.....	(100 000)	(91 000)
	(51 000)	(49 000)
Income before income taxes.....	1 270 000	905 000
Federal and state income taxes.....	615 000	419 000
Income derived from communications services operations.....	\$ 655 000	486 000

Key acquisitions of major answering service operations were made during 1966 in the New York City area and in the Mid-West, Southwest, Far West and Canada, bolstering geographic coverage and substantially improving service income and net income potential.

Of the total properties owned by this division at December 31, 1966, about 40 percent were acquired during the year. These acquisitions contributed significantly to the results of operations for the year. Many of the new offices acquired in 1966 are being consolidated with previous acquisitions to provide greater economies through larger and more efficient operations. Internal sales growth and some minor readjustment in customer rates resulted in more than \$300,000 of additional service income in 1966.

Various avenues of service are constantly explored for their potential profitability. For example, late in 1966 studies were launched on the best type of radio

paging systems to be adopted. Through pocket-sized receivers, subscribers can be alerted to messages, adding a valuable dimension to the services provided.

The purchase of Answer America, Inc. in February 1967 brings a most promising enterprise into the corporate family. This organization holds franchise agreements with more than 400 independent answering services throughout the United States. This acquisition offers a means of furnishing nationwide telephone answering and other communications services to large companies. In addition, it opens wide possibilities in the areas of marketing surveys, calculating results of national advertising and increasing product acceptability for national firms.

DAIRY

It was the second year that this subsidiary operated the properties acquired in 1965 from a national dairy concern. The map on the inside back cover of this report indicates the area serviced by this subsidiary.

A summary of operations for the two years is as follows:

	1966	1965
Net sales.....	\$72 367 000	69 235 000
Costs and expenses:		
Cost of products sold.....	50 523 000	46 895 000
Selling, delivery and administrative expenses....	18 800 000	18 271 000
Depreciation and amortization.....	1 874 000	1 664 000
	71 197 000	66 830 000
Operating income....	1 170 000	2 405 000
Other (credits) deductions, net:		
Interest charges.....	766 000	781 000
Miscellaneous, net.....	(93 000)	(113 000)
	673 000	668 000
Income before income taxes.....	497 000	1 737 000
Federal and state income taxes.....	211 000	822 000
	286 000	915 000
Minority interest.....	90 000	300 000
Income derived from dairy operations..	\$ 196 000	615 000

Unit sales for the year 1966 showed a gain but depressed selling prices and increases in product costs are principally responsible for the decrease in profit results of this subsidiary.

A drastic price war continued during the entire year in the central Florida area and deflated selling margins existed during some portions of the year in other principal marketing areas of this subsidiary.

The major contributing factor to the increased product costs was the changing of the pricing formula for basic commodities—milk and butterfat. Increases came so frequently and so radically, and at times retroactively, that the company was unable to make adequate price adjustments at the retail level.

In spite of depressed profit results experienced during 1966, progress was achieved in developing programs designed to insure future profitability. New, modern sales and distribution branches in Puerto Rico, Pompano Beach, Florida, Charleston, South Carolina and Williamson, Kentucky were constructed and occupied, while plant alterations aimed at reducing production and distribution costs were completed at several other locations. Also during the latter part of 1966 selling prices were adjusted so that they reflected increased costs of raw materials and improved margins.

While 1966 certainly was an unsatisfactory profit year, the adjustments made in selling prices and the action taken to reduce processing and distribution costs should insure satisfactory operating results for the year 1967.

OTHER

Office Building

The completion of the 21-story addition to the Company's office building has doubled the office space available for rental. Commitments have been signed for the rental of all of this additional office space. Problems relating to relocation of existing tenants and meeting the upgraded requirements of new and existing tenants have delayed the occupancy of this space beyond the periods anticipated. This delay in office occupancy was responsible for the moderate loss experienced during 1966 in the office space rental operations. Problems experienced in 1966 are being resolved and operations on a profitable basis are forecast by the end of 1967.

The permanent financing of the new office building addition was completed during the year through the issuance of 5½% mortgage bonds by the building subsidiary. The commitment for this financing was arranged during 1965, when financial market conditions were more favorable.

Insurance Brokerage

The latest addition to the Company's expanded list of operations was the acquisition in the middle of the year of an insurance brokerage firm. This firm is authorized to do business in 31 states and provides expert counseling in the field of corporate and welfare insurance. This new acquisition handles the insurance programs of the affiliated companies and many large corporations not affiliated with the Company. These operations contributed modestly to the income for the year.

Gains on Sales of Properties and Investments

The year 1966 has clearly demonstrated the consistent presence in the Company's income picture of gains on sales of properties and investments as a normal part of its successful operations. Such net profits have been recorded in 22 of our 24 years.

In 1965 the Company exchanged its investments in the telephone subsidiaries for 1,887,250 shares of common stock of Continental Telephone Corporation. In February 1966 the Company sold for \$25,300,000 a series of preferred stock which permits the holders of this series to redeem one share of the preferred stock for four shares of common stock of Continental Telephone Corporation. Accordingly, 920,000 shares of this common stock, carried on the balance sheet at \$4,243,000, are reserved for possible redemption. Also in February, 575,000 shares of the common stock were sold, resulting in a gain of approximately \$8,500,000 after taxes. There presently remain 392,250 unencumbered shares of the common stock, the cost of which is reflected in the balance sheet at \$1,809,000, but having a market value of approximately \$11,700,000.

Other minority investments, no longer deemed compatible with Company objectives, were sold during the year, creating further gains on sales. Not all investments turn out as anticipated. Consequently there arise occasions when losses must be recognized. In 1966 a subsidiary charged off approximately \$1,300,000 of its investment in foreign operations.

Two small water properties also were sold during 1966, resulting in gains on disposition. The sales of

these properties will have little, if any, effect on the income from utility operations.

MANAGEMENT CHANGES

A number of key appointments and promotions in 1966 strengthened the management team at both the corporate and at the subsidiary levels. As reported in last year's annual report, on February 1, 1966 Howard Butcher, III became Chairman; W. W. Keen Butcher became Vice Chairman; and John M. Seabrook became President of the Company. These three men have long been active in the management of the Company's affairs.

In the course of the year the executive staff of the Company was strengthened by the appointments of John T. Jackson as Vice President-Industrials; Joseph E. Griffin as Vice President-Utilities; Clarence B. Rex as Treasurer; and George W. Frank as Controller. Mr. Jackson was hired from the outside, Mr. Griffin was formerly Treasurer, Mr. Rex was formerly Director of Finance-Industrials, and Mr. Frank was Controller of a subsidiary, the Frick Company.

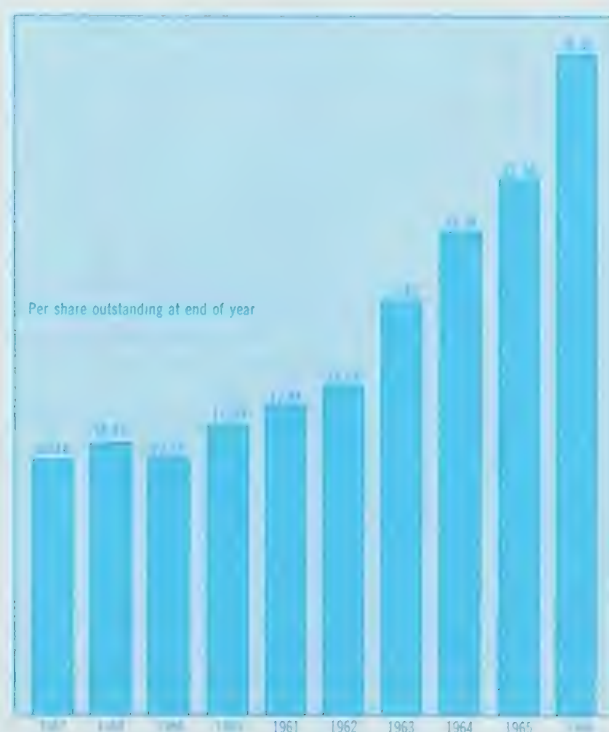
At the subsidiary level, the general managers of each industrial subsidiary were promoted to the position of

president. Edward W. Forth was elected President of Frick Company. Robert L. Burke became President of American Portable Irrigation Company. A. J. Pellegrini was appointed President of Pennsylvania-Bradford Appliance Corporation. Grover H. Lockwood became President of Southwest Fabricating & Welding Co., Inc. John C. Monday was elected President of American Vitrified Products Company. In addition, Harold E. Whatley was appointed Vice President at American Vitrified. Mr. Forth is a new man hired as president, but all the other presidents were promoted from within and most of them are long-service employees.

With deep regret we report the death on May 20, 1966 of J. Richard Pierce, one of the original directors and officers of the Company who made significant and lasting contributions not only to the Company but to his overall field of endeavor and to many people, places and organizations in his dedicated and productive life. Mr. Pierce was an active, skilled and resourceful leader of the Company from its inception.

Book Value Per Share of Common Stock

(in dollars)



Comparative Ten Year Statement of Financial Information

	1966	1965 (Note)
Income from operations		
Water.....	\$ 4 086 936	4 458 125
Telephone.....	—	—
Industrial—manufacturing.....	7 069 180	1 599 493
Dairy.....	285 907	914 959
Communications services.....	654 853	485 969
Building.....	(196 875)	120 033
Insurance brokerage.....	51 829	—
Parent company, principally interest.....	(1 453 852)	(1 712 863)
	<u>10 497 978</u>	<u>5 865 716</u>
Income (loss) applicable to minority interest.....	1 848 280	279 112
INCOME FROM OPERATIONS.....	8 649 698	5 586 604
Net gain on sales of properties and investments.....	8 083 598	1 522 510
NET INCOME.....	16 733 296	7 109 114
Preferred dividends accrued		
Preferred stock.....	1 883 349	964 581
Second preferred stock.....	377 231	458 795
	<u>2 260 580</u>	<u>1 423 376</u>
BALANCE APPLICABLE TO COMMON STOCK.....	\$ 14 472 716	5 685 738
Average number of common shares outstanding during year.....	2 019 809	1 800 143
Net income per average share of common stock		
From operations.....	\$ 3.16	2.31
From net gain on property sales.....	4.00	.85
TOTAL.....	\$ 7.16	3.16
Stock dividend distributed on common stock.....	6%	6%
Consolidated book value per share of common stock outstanding at end of year....	\$ 26.42	21.46
Consolidated total assets at end of year.....	\$304 673 738	252 045 469
Operating statistics		
Revenues and net sales		
Utilities.....	\$ 21 528 435	18 371 622
Industrial—manufacturing.....	141 079 409	117 782 759
Dairy.....	72 366 560	69 234 596
Communications services.....	10 486 133	6 431 762
Office building.....	670 405	309 716
Insurance brokerage.....	563 917	—
Other.....	2 775 654	2 506 828
	<u>\$249 470 513</u>	<u>214 637 283</u>
Charges		
Costs and expenses.....	\$221 872 846	194 206 679
Depreciation.....	6 981 843	6 239 478
Federal and state income taxes.....	3 950 291	3 048 060
Interest on funded debt.....	4 135 831	4 189 476
Other deductions.....	2 032 004	1 087 986
	<u>\$238 972 995</u>	<u>208 771 699</u>
Consolidated capital ratios—%		
Funded debt.....	44.8	57.3
Preferred stocks at liquidating values.....	23.7	12.4
Convertible 2nd preferred stocks at liquidating values.....	3.6	5.2
Common stock and remaining surplus.....	27.9	25.1
Times interest earned		
Before income taxes.....	4.87	3.36
After income taxes.....	3.93	2.64
Times preferred dividends earned		
Preferred stock.....	8.88	7.37
Preferred and 2nd preferred stocks combined.....	7.40	4.99
NOTE: Restated—see note 1 to financial statements.		

General Waterworks Corporation and Subsidiaries

1964	1963	1962	1961	1960	1959	1958	1957
4 168 048	3 586 334	3 163 012	2 661 008	2 491 654	2 073 829	1 694 284	1 773 040
1 263 434	1 001 011	905 267	615 514	426 399	372 513	335 119	345 676
797 489	984 142	1 015 442	893 441	606 026	44 464	—	—
—	—	—	—	—	—	—	—
62 018	—	—	—	—	—	—	—
93 634	79 785	63 801	36 291	34 147	29 513	63 475	51 014
—	—	—	—	—	—	—	—
(2 043 570)	(1 893 615)	(1 611 690)	(1 170 467)	(802 919)	(809 206)	(752 029)	(832 759)
4 341 053	3 757 657	3 535 832	3 035 787	2 755 307	1 711 113	1 340 849	1 336 971
(95 941)	92 848	456 034	69 045	71 382	73 077	70 183	67 999
4 436 994	3 664 809	3 079 798	2 966 742	2 683 925	1 638 036	1 270 666	1 268 972
1 866 586	3 843 124	356 246	172 989	812 505	468 368	276 881	263 654
6 303 580	7 507 933	3 436 044	3 139 731	3 496 430	2 106 404	1 547 547	1 532 626
970 375	723 206	723 154	721 363	712 965	505 022	264 586	251 469
583 253	619 465	613 712	585 088	583 116	103 242	—	—
1 553 628	1 342 671	1 336 866	1 306 451	1 296 081	608 264	264 586	251 469
4 749 952	6 165 262	2 099 178	1 833 280	2 200 349	1 498 140	1 282 961	1 281 157
1 533 621	1 404 259	1 322 614	1 239 650	1 162 636	1 077 823	962 783	879 587
1.88	1.65	1.32	1.34	1.19	.96	1.04	1.16
1.22	2.74	.27	.14	.70	.43	.29	.30
3.10	4.39	1.59	1.48	1.89	1.39	1.33	1.46
6%	6%	6%	6%	6%	6%	6%	6%
19.29	16.62	13.18	12.34	11.50	10.22	10.81	10.14
199 569 287	164 032 448	153 330 933	131 585 763	114 289 343	99 095 395	65 534 755	60 381 229
24 877 933	23 934 289	21 914 685	19 420 593	17 334 491	15 484 733	11 030 029	10 364 716
48 370 767	41 302 330	38 764 414	24 039 233	21 924 471	7 990 046	—	—
—	—	—	—	—	—	—	—
1 659 562	—	—	—	—	—	—	—
282 247	245 002	239 124	221 780	236 146	222 539	253 632	128 687
—	—	—	—	—	—	—	—
1 967 073	1 128 326	528 374	469 391	371 577	202 577	271 287	206 919
77 157 582	66 609 947	61 446 597	44 150 997	39 866 685	23 899 895	11 554 948	10 700 322
62 406 273	53 534 175	49 126 815	33 835 058	30 934 694	17 442 687	6 722 640	6 216 888
4 358 167	3 910 096	3 524 802	2 635 735	2 242 427	1 737 721	1 322 950	1 125 196
2 405 232	2 082 891	2 190 702	2 491 478	2 148 749	1 290 671	768 797	742 111
3 063 041	2 982 454	2 427 663	1 902 680	1 470 308	1 432 968	1 171 772	1 154 197
487 875	435 522	1 096 817	319 304	386 582	357 812	298 123	192 958
56.1	60.4	62.7	59.0	54.0	53.1	65.6	66.0
14.2	11.3	12.1	14.2	16.8	17.6	13.3	13.9
7.2	9.6	10.3	11.4	13.3	15.0	—	—
22.5	18.7	14.9	15.4	15.9	14.3	21.1	20.1
3.34	3.02	3.57	3.97	4.47	3.23	2.94	2.85
2.55	2.33	2.62	2.68	3.04	2.35	2.30	2.23
6.50	10.38	4.75	4.35	4.90	4.17	5.84	6.09
4.06	5.59	2.57	2.40	2.70	3.46	—	—

General Waterworks Corporation and Subsidiaries

Consolidated Balance Sheet December 31, 1966 (with comparative figures for 1965)

Assets	1966	1965 (note 1)
CAPITAL ASSETS		
Property, plant and equipment (note 2):		
Utility	\$135 373 506	\$117 020 827
Industrial	59 716 733	57 969 334
Dairy	16 555 242	14 514 936
Communications services	17 845 221	8 633 754
Office building	10 724 937	8 681 997
Other	16 883	—
	<u>240 232 522</u>	<u>206 820 848</u>
Less reserve for depreciation (note 2).....	70 548 133	61 518 486
	<u>169 684 389</u>	<u>145 302 362</u>
Less excess of adjusted net assets of consolidated subsidiaries at dates of acquisition, over cost of investments therein to the company and its subsidiaries.....	5 509 901	7 007 187
Net property, plant and equipment.....	164 174 488	138 295 175
Investments at cost, including non-current receivables (note 3).....	27 930 648	20 724 039
Total capital assets	<u>192 105 136</u>	<u>159 019 214</u>
CURRENT ASSETS		
Cash	10 233 991	8 090 676
Marketable securities (quoted market, 1966—\$10 074 000)...	10 105 033	7 935 893
Customers' accounts receivable, less reserve for allowances.....	31 499 914	27 372 604
Sundry receivables and deposits.....	1 171 026	608 355
Inventories (note 4)	55 413 763	45 825 669
Prepaid expenses.....	880 715	833 966
Total current assets.....	<u>109 304 442</u>	<u>90 667 163</u>
DEFERRED CHARGES —in process of amortization		
Debt expense, net.....	621 584	434 432
Capital stock expense.....	364 742	89 392
Rate case, development and other costs.....	2 277 834	1 835 268
Total deferred charges	<u>3 264 160</u>	<u>2 359 092</u>
	<u>\$304 673 738</u>	<u>\$252 045 469</u>

See accompanying notes to financial statements.

Liabilities	1966	1965
		(note 1)
FUNDED DEBT (see page 21)		
General Waterworks Corporation.....	\$ 38 281 798	\$ 38 440 000
Sinking fund payments.....	21 562 988	54 736 655
Total funded debt.....	59 844 786	93 176 655
Less cash sinking fund payments due within one year.....	2 606 867	2 285 368
	57 237 919	90 891 287
Maturity interest.....	14 327 500	12 434 817
CURRENT LIABILITIES		
Sinking fund payments due within one year.....	2 606 867	2 285 368
Notes payable to banks and others.....	32 728 794	21 558 753
Accounts payable.....	14 514 420	13 807 446
Accrued interest.....	1 338 123	1 503 239
Federal and State income taxes.....	8 238 304	4 905 797
Other accrued taxes.....	1 642 863	1 543 940
Customers' deposits refundable.....	1 428 734	1 067 173
Advance billing and other.....	7 475 962	5 028 327
Total current liabilities.....	70 026 143	55 872 603
Consumers' advances for construction.....	5 683 667	3 424 493
Liability for pension plans negotiated under union agreements (note 5).....	5 535 807	5 305 000
Deferred income taxes, investment tax credit and other items.....	1 806 313	1 337 047
	11 026 186	8 426 197
CAPITAL STOCK AND SURPLUS		
Capital stock (see page 22):		
Preferred stocks (note 6).....	45 234 797	19 483 303
Common stock (note 6).....	2 135 587	1 901 958
Total capital stock.....	47 370 384	21 385 261
Paid-in surplus.....	35 334 287	28 375 246
Earned surplus (note 7).....	31 161 126	19 091 348
Total.....	114 065 847	69 752 329
Less capital stock in treasury, at cost.....	5 100 072	2 214 258
Total capital stock and surplus.....	108 965 775	67 538 071
	\$304, 673, 738	\$252 045 469

See accompanying notes to financial statements.

General Waterworks Corporation and Subsidiaries

Statement of Consolidated Income

Year Ended December 31, 1966 (with comparative figures for 1965)

	<u>1966</u>	<u>1965</u> (note 1)
SALES AND REVENUES		
Product sales	\$213 445 969	\$187 017 355
Utility and service revenues	33 248 890	25 113 100
Dividends, interest and other income.....	2 775 654	2 506 828
	<hr/> 249 470 513	<hr/> 214 637 283
COSTS AND EXPENSES		
Cost of products sold	161 723 078	143 592 461
Selling, general and administrative expenses.....	36 379 997	33 172 055
Utility and service operating expenses.....	23 769 771	17 442 163
Depreciation and amortization	6 981 843	6 239 478
Federal and State income taxes (note 8).....	3 950 291	3 048 060
Interest on funded debt	4 135 831	4 189 476
Other interest	1 322 445	952 809
Miscellaneous deductions	709 559	135 177
	<hr/> 238 972 815	<hr/> 208 771 679
	<hr/> 10 497 698	<hr/> 5 865 604
Income applicable to minority interest.....	<hr/> 1 848 000	<hr/> 279 000
INCOME BEFORE GAIN ON INVESTMENTS	<hr/> 8 649 698	<hr/> 5 586 604
NET GAIN ON DISPOSITION OF PROPERTIES AND INVESTMENTS		
less income taxes, 1966—\$3 692 534; 1965—\$689 412.....	<hr/> 8 083 598	<hr/> 1 522 510
NET INCOME	<hr/> \$ 16 733 296	<hr/> \$ 7 109 114

See accompanying notes to financial statements.

Statements of Consolidated Surplus

Year Ended December 31, 1966 (with comparative figures for 1965)

	1966	1965
PAID-IN SURPLUS		
Balance at beginning of year.....	\$ 28 375 248	\$ 23 656 716
Add:		
Excess of value assigned to stock dividends over par value thereof	3 174 701	2 282 568
Excess of option price over par value of shares of common stock issued pursuant to stock option plans, 1966—5 314 shares; 1965—15 001 shares.....	124 430	356 089
Excess of value assigned (approximating market) to common shares issued over par value thereof in acquisition of subsidiaries....	1 366 989	2 104 317
Excess of proceeds of 230 000 shares \$4.40 preferred stock issued over par value thereof.....	2 300 000	—
Excess arising in connection with pooling of interests treatment with respect to subsidiary acquired.....	7 813	—
	<u>35 349 181</u>	<u>28 399 690</u>
Deduct miscellaneous, net.....	14 894	24 442
Balance at end of year.....	<u>\$ 35 334 287</u>	<u>\$ 28 375 248</u>
EARNED SURPLUS		
Balance at beginning of year.....	\$ 19 991 818	\$ 16 679 270
Add:		
Net income for the year.....	16 733 296	7 109 114
Earned surplus of pooled subsidiary.....	15 000	—
	<u>36 740 114</u>	<u>23 788 384</u>
Deduct:		
Dividends paid and accrued:		
Preferred stocks—in cash:		
Series	Per Share	
6%	\$6.00	180 000
\$6 Voting	6.00	168 978
5.10%	5.10	58 653
5%	5.00	383 091
\$5 Voting	5.00	122 930
\$4.50 Voting	4.50	84 197
\$4.40 Voting	3.85	885 500
\$2 Dividend Voting	2.00	375 698
80¢ Dividend Voting	.80	1 533
	<u>2 260 580</u>	<u>1 423 376</u>
Common stock—stock dividend—two annually at 3% each, aggregating 117 156 shares in 1966 and 107 765 shares in 1965 at assigned values as determined by the Board of Directors.....	3 291 898	2 390 366
	<u>5 552 478</u>	<u>3 813 742</u>
Miscellaneous adjustments, net.....	24 460	(17 176)
	<u>5 576 938</u>	<u>3 796 566</u>
Balance at end of year.....	<u>\$ 31 163 176</u>	<u>\$ 19 991 818</u>

See accompanying notes to financial statements.

General Waterworks Corporation and Subsidiaries

Notes to Financial Statements December 31, 1966

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries except for the accounts of six minor industrial companies, five of which are foreign. The financial statements for 1965 have been restated to include the accounts of Walworth Company on a consolidated basis rather than to reflect only equity in net income of Walworth. Inter-company investments, accounts and transactions have been eliminated in consolidation. The statement of consolidated income reflects the operating revenues and expenses of subsidiaries acquired or disposed of during the year from the date of acquisition or to date of disposition, except for one company accounted for as a pooling of interests whose operations are included for the entire year.

The excess, \$5,509,901, of equity in the underlying net assets of consolidated subsidiaries over the investment costs therein at dates of acquisition has been applied in reduction of consolidated property, plant and equipment.

(2) Property, Plant and Equipment

Industrial and dairy plant and equipment and office building are stated substantially at cost. Utility property, plant and equipment are stated generally at original cost (estimated in part) including a net credit utility plant acquisition adjustment of \$1,828,000. Capital assets relating to communications services include \$16,609,000 paid (in cash or fair value of securities issued) for the acquisition of established communications services organizations, subscribers and other intangibles of which approximately \$8,600,000 is being amortized over 35 years, \$1,000,000 over 5 to 10 years and the remainder is not presently being amortized because, in the opinion of management, such amount relates to values with an unlimited life.

The provisions for depreciation have been based generally on rates which, in the opinion of management, will be sufficient to spread the book values of depreciable property, less salvage in some instances, over the estimated service life of the property. The provisions with respect to utility operations are approximately \$821,000 less than those being claimed for income tax purposes. Deferred taxes (not material in amount) are provided by industrial and dairy subsidiaries where depreciation claimed for tax purposes exceeds depreciation included in the financial statements.

(3) Investments

Investments at December 31, 1966 consist of the following:

International Utilities Corporation—stock	\$11 700 500
Continental Telephone Corporation—common stock:	
Reserved for redemption of \$4.40 Voting Series preferred stock—920,000 shares	4 242 870
Unencumbered—392,250 shares	1 808 985
	<u>6 051 855</u>
Non-current receivables, principally industrial	4 388 311
Subsidiaries not consolidated	4 204 955
Miscellaneous	1 585 027
	<u>\$27 930 648</u>

(4) Inventories

Inventories are summarized as follows:

Utility (at average cost)	\$1 554 121
Industrial and dairy (at cost, generally first-in, first-out or average, not in excess of market):	
Finished products	\$19 039 001
Work in process	24 790 565
Raw materials and supplies	10 030 076
	<u>53 859 642</u>
	<u>\$55 413 763</u>

(5) Pension Plans

The company and certain of its subsidiaries have various pension plans. Such plans provide for contributions to trustees except for pension plans of Walworth Company negotiated under union agreements which are administered by that company. The liability under such union plans is stated in the accompanying balance sheet at its present value, net of future income tax benefits.

(6) Capital Stock

Changes in capital stock during the year are summarized as follows:

	Preferred	Second Preferred	Common
Shares issued at beginning of year	192 735	209 805	1 901 958
Issuance of \$4.40 voting series	230 000	—	—
Conversion of preferred stocks	—	(28 908)	43 353
Stock dividends	—	—	117 156
Exercise of stock options	—	—	5 314
Acquisition of subsidiaries	29 304	—	55 801
Shares issued at end of year	452 039	180 897	2 123 582

At the end of the year, 440,602 shares of common stock were reserved for the conversion of preferred stocks and for the exercise of stock options. In addition, the company is committed to purchase 27,804 shares of its 5% preferred stock in three equal annual instalments.

At December 31, 1966, certain officers and employees had options to purchase 95,598 shares of common stock under the company's stock option plans. An additional 9,620 shares were available for future grants. Generally, the options are exercisable over a period ranging currently from four to six years at prices from \$24 to \$40, such prices being not less than 95% of market with respect to the restricted plan and not less than market with respect to the qualified plan.

Transactions during the year within the company's plans are summarized as follows:

Shares under option at beginning of year	73 582
Options granted	109 402
Options exercised	5 314
Options expired or cancelled	8 490
	13 804
Shares under option at end of year	95 598

Also, certain subsidiaries had outstanding options granted to their officers and key employees to purchase shares of the subsidiaries' common stocks.

(7) Dividend Restrictions

The indentures relating to the company's funded debt and purchase agreements applicable to preferred stock restrict the payments of dividends (other than stock dividends). At December 31, 1966, the company's earned surplus was free of such restrictions to the extent of approximately \$19,700,000.

A portion of the undistributed earnings of subsidiaries since dates of acquisition reflected in the company's earned surplus is restricted by indentures and other provisions as to payment of cash dividends by the subsidiaries. In addition, under a loan agreement, future earnings of Walworth Company to the extent of \$9,100,000 are likewise restricted. At December 31, 1966, earned surplus of subsidiaries was free of such restrictions to the extent of approximately \$7,500,000.

(8) Federal Income Tax and Investment Tax Credit

As a result of tax loss carry-forwards of Walworth Company, no provision for Federal income taxes was required with respect to that subsidiary's earnings. Without such tax loss carry-forwards consolidated net income would have been lower by \$.56 and \$.07 per share for the years 1966 and 1965, respectively.

The investment tax credit for 1966, estimated at \$234,000 has been deferred except in the case of industrial and dairy subsidiaries and certain utility subsidiaries (as required by State regulatory commissions) where the credit, approximately \$124,000, has been applied in reduction of the 1966 provision for Federal income taxes. An additional \$467,000 could not be utilized in 1966 because of statutory limitation but may be carried forward.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1500 WALNUT STREET

PHILADELPHIA, PA. 19102

The Board of Directors
General Waterworks Corporation:

We have examined the consolidated balance sheet of General Waterworks Corporation and subsidiaries as of December 31, 1966 and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The accounts of subsidiaries not examined by us, which are incorporated in the consolidated financial statements, representing approximately 3% of the consolidated assets, were examined by other independent accountants and we have been furnished with their reports.

In our opinion, based on our examination and on the aforementioned reports of other independent accountants, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of General Waterworks Corporation and subsidiaries at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated (see note 1 to financial statements).

Peat, Marwick, Mitchell & Co.

March 31, 1967

General Waterworks Corporation and Subsidiaries

Funded Debt Held by Public

GENERAL WATERWORKS CORPORATION

	Outstanding December 31, 1966	Cash Sinking Fund Payments Due 1967
3¾% bonds, Series A, due 1971.....	\$ 5 547 000	\$ 53 000
4¼% bonds, Series due 1981.....	10 800 000	120 000
5% bonds, Series due 1987.....	10 752 000	112 000
5½% sinking fund debentures due 1981, unsecured.....	10 800 000	300 000
5¾% serial notes, due 1971.....	382 778	64 000
	<u>38 281 778</u>	<u>649 000</u>

At December 31, 1966, the company has mortgaged \$13,266,000 of its property, plant and equipment and, in addition, pledged \$11,744,000 of investments in certain water subsidiaries under the provisions of the 3¾%, 4¼% and 5% bond indentures. These indentures require annual sinking fund payments equal to 1% of the greatest amount of bonds theretofore at any one time outstanding under the respective indentures. The indenture applicable to the debentures requires annual sinking fund payments in varying amounts through 1980. The sinking fund requirements for 1967 are net of the amount of \$15,780 which was deposited in 1966.

UTILITIES SUBSIDIARIES

Boise Water Corporation:

3¾% bonds, due 1969.....	1 534 000	29 130
3½% bonds, due 1975.....	1 938 000	38 250
3¾% bonds, due 1980.....	417 500	7 500

Consumers Water Company:

3¾% bonds, due 1971.....	779 500	12 095
4% bonds, due 1976.....	562 000	6 440

Duluth Steam Corporation—5% debentures, due 1976.....

216 900	—
---------	---

Gulf Atlantic Utilities, Inc.:

6% mortgage, due 1970.....	86 194	25 000
6% mortgage, due 1974.....	90 800	11 350
6% mortgage, due 1975.....	11 256	1 596
4.73% mortgage, due 1985.....	249 116	20 000

Lawrence Park Heat, Light and Power Company—5% bonds, due 1978.....

232 500	—
---------	---

The New Rochelle Water Company:

3½% bonds, due 1980.....	4 350 000	—
4% bonds, due 1980.....	600 000	—
4¼% sinking fund debentures, due 1970.....	424 000	100 000

Orbisonia Water Company—4¾% bonds, due 1977.....

11 000	1 000
--------	-------

Pennsylvania Utilities Investment Corporation—6% note, due 1979.....

720 000	55 000
---------	--------

Southern Utilities Company:

6½% mortgage, due 1971.....	3 357	758
6¼% mortgage, due 1983.....	8 157	288
6¼% mortgage, due 1984.....	931 000	31 000

Trevorton Water Company—4% bonds, due 1973.....

22 000	1 000
--------	-------

West Lafayette Water Company, Inc.—6% bonds, due 1991.....

516 000	7 000
---------	-------

13 703 280 347 407

OFFICE BUILDING SUBSIDIARY

Fifteenth Street Building Corporation—5½% mortgage, due 1991.....	7 000 000	175 000
---	-----------	---------

INDUSTRIAL SUBSIDIARIES

American Vitriified Products Company:

5.9% note, due in equal annual instalments beginning October 1, 1970 through 1979.....	1 800 000	—
5¼% note, due in equal annual instalments to November 30, 1969.....	675 000	225 000
Southwest Fabricating & Welding Co., Inc.: 6% note payable through June 1, 1972.....	1 515 791	168 650

Walworth Company:

4½% note payable through September 1, 1974.....	8 800 000	400 000
5¼% note payable through September 1, 1974.....	3 200 000	400 000
	<u>15 990 791</u>	<u>1 193 650</u>

DAIRY SUBSIDIARY

Home Town Foods, Inc.—5¼% promissory notes, due January 31, 1980.....	14 200 000	—
---	------------	---

COMMUNICATIONS SERVICES SUBSIDIARIES

At varying interest rates, due through 1984.....	793 917	241 830
Total as shown in consolidated balance sheet.....	<u>\$89 969 766</u>	<u>\$2 606 887</u>

The funded debt of consolidated subsidiaries held by the public is subject to various indentures requiring either the mortgaging of property, the pledging of investments in subsidiaries or, in certain instances, a combination of both. The sinking fund requirements or other repayment provisions contained in the indenture may be satisfied by property additions to the extent of \$66,600.

General Waterworks Corporation Capital Stock

Issued at December 31, 1966		
	Shares	Par Value
Common Stock \$1 par value (authorized 3 000 000 shares) (182 570 shares held in treasury)	2 123 582	\$ 2 123 582
Dividends paid 3% stock dividend paid on May 1 and November 1, 1966.		
Voting rights Entitled to one vote per share.		
 Preferred Stocks		
PREFERRED STOCK \$100 par value (authorized 800 000 shares)		
6% Series	30 000	\$3 000 000
Dividends Cumulative, payable quarterly on first of February, May, August and November.		
Voting rights None; however, if four quarterly dividends, whether or not consecutive, are in default in whole or in part, holders of this series vote with other preferred stockholders, voting as a class, to elect a majority of the Board of Directors.		
Call price Currently at \$105 per share, plus accrued dividends.		
Sinking fund On March 1 of each year annual payment of \$120 000 which can be waived by owners. Payment in 1967 waived.		
\$6 Voting Series	28 163	2 816 300
Dividends Cumulative, payable quarterly on first of January, April, July and October.		
Voting rights Entitled to vote, share and share alike, with common stockholders.		
Call price \$100 per share plus accrued dividends.		
5.10% Series	11 500	1 150 000
Dividends Cumulative, payable on first of February, May, August and November.		
Voting rights Same as 6% Series.		
Call price \$102.50 per share plus accrued dividends.		
5% Series (18 487 shares held in treasury).....	94 333	9 433 300
Dividends Cumulative, payable on first of February, May, August and November.		
Voting rights Same as 6% Series.		
Call price \$102.50 per share plus accrued dividends.		
\$5 Voting Series	24 586	2 458 600
Dividends Cumulative, payable on first of February, May, August and November.		
Voting rights Entitled to vote, share and share alike, with common stockholders.		
Call price \$102.50 per share plus accrued dividends.		



		Issued at December 31, 1966	
		Shares	Par Value
\$4.50 Voting Series (691 Shares held in Treasury)		33 457	\$ 3 345 700
Dividends Cumulative, payable quarterly on first of February, May, August and November.			
Voting rights Entitled to vote, share and share alike, with common stockholders.			
Call price After December 31, 1971 beginning at \$102.50 per share plus accrued dividends.			
Conversion rights Currently at the rate of one share of this series for two shares of common stock.			
\$4.40 Voting Series		230 000	23 000 000
Dividends Cumulative, payable quarterly on first of February, May, August and November.			
Voting rights Entitled to vote, share and share alike, with common stockholders.			
Call price After September 30, 1969 beginning at \$115 per share.			
Purchase fund Commencing November 30, 1968 maximum annual payments of \$506 000 provided shares are tendered.			
Redemption rights On or after April 1, 1968 to September 30, 1975 each share of this series is redeemable, at the option of the holder, into four shares of common stock of Continental Telephone Corporation.			
Total		452 039	45 203 900
SECOND PREFERRED STOCK \$1 par value (authorized 500 000 shares)			
\$2 Dividend Voting Series		178 980	178 980
Dividends Cumulative, payable on fifteenth of March, June, September and December.			
Voting rights Entitled to vote, share and share alike, with common stockholders.			
Call price On or after January 1, 1970 at \$40 per share plus accrued dividends.			
Conversion rights At any time on or prior to January 1, 1971 at the rate of one share of this series for one and one-half shares of common stock.			
80¢ Dividend Voting Series		1 917	1 917
Dividends Cumulative, payable on first of January, April, July and October.			
Voting rights Entitled to vote, share and share alike, with common stockholders.			
Call price \$25 per share plus accrued dividends.			
Total		180 897	180 897
Total preferred stocks			\$45 384 797

General Waterworks Corporation Utility Subsidiaries

WATER AND SEWER

	Customers Served Dec. 31, 1966	Estimated Population Served		Customers Served Dec. 31, 1966	Estimated Population Served
ARKANSAS					
England Water Company, Inc.....	1 037	4 200	Peninsula Utilities Corporation.....	2 101	7 300
Fordyce Water Company, Inc.....	1 599	5 600	(Providing water and sewer service to unincorporated areas in Dade County)		
Hamburg Water Company, Inc.....	1 005	3 500	South Gate Water & Sewer Company.....	2 042	7 100
Morrilton Water Company, Inc.....	2 356	8 400	(Serving area adjacent to Sarasota)		
Pine Bluff Division	17 938	62 800	Southern Utilities Company.....	4 600	20 000
Russellville Water Company, Inc.	3 709	13 000	(Providing water and sewer service in the suburban areas of Jacksonville in Duval County)		
CALIFORNIA					
Dunsmuir Water Corporation.....	1 405	4 300	Tampa Suburban Utilities Corporation.....	1 098	3 800
(Serving Dunsmuir and Fort Jones)			Temple Utilities Corporation.....	743	2 600
CONNECTICUT					
The New Milford Water Company.....	1 087	4 600	(Providing water and sewer service in the suburban Tampa area in Hillsborough County)		
The Newtown Water Company.....	715	3 300			
Woodbury Water Company.....	398	1 600			
DELAWARE					
The Arden Water Company.....	1 097	3 800	IDAHO		
Delaware Water Corporation.....	640	2 600	Boise Water Corporation.....	21 959	76 500
(Serving industries and communities along Pennsylvania Railroad from Wilmington to Newark, Delaware)			Idaho Water Company	7 430	24 600
New Castle County Water Company.....	3 556	12 500	(Serving Coeur d'Alene, Kellogg, Wardner, Smelterville and Osburn)		
(Serving communities in vicinity of Newark, Delaware)			ILLINOIS		
Wilmington Suburban Water Corporation..	10 467	52 300	Illinois Municipal Water Company.....	3 350	16 000
(Serving Claymont, Holly Oak and other communities north of Wilmington, Delaware)			(Serving Blackhawk Heights, Glenview Countryside, Lisle, New Lenox, Wheaton Farms all in suburban Chicago area)		
FLORIDA					
Bonneville Utilities, Inc.....	350	1 200	Preston Utilities Corporation.....	514	2 100
(Providing water and sewer service in the unincorporated areas in Orange County, near Winter Park)			(Providing water and sewer service in Preston Heights, Sugar Creek Highlands, Chelsea Village, and Hillcrest near Joliet, Illinois)		
Consumers Water Company.....	23 756	83 100	Warrenville Water Company.....	408	1 600
(Serving Coral Gables, South Miami and adjacent portions of Dade County)			INDIANA		
East Orlando Utility Company.....	236	1 000	West Lafayette Water Company.....	3 690	19 000
(Providing Water and Sewer Service to unincorporated area near Orlando)			(Serving West Lafayette, Ravinamy, Indiana Village and areas immediately adjacent to Purdue University)		
Estates Water Company.....	468	1 600	MAINE		
(Serving unincorporated areas in Dade County)			Calais Water & Power Company.....	1 757	7 000
Florida Utilities Division	14 246	49 800	(Serving Calais, Maine and Milltown, New Brunswick)		
(Serving Winter Park, Kissimmee Highlands and adjacent areas in Orange and Seminole Counties)			Caribou Water Works Corporation.....	1 852	7 700
Gulf Atlantic Utilities, Inc.....	4 600	20 000	Eastport Water Company.....	875	3 500
Jacksonville Suburban Utilities Corporation..	800	2 800	Greenville Water Company.....	455	1 800
(Providing water and sewer service in the suburban areas of Jacksonville in Duval County)			Guilford Water Company.....	524	2 100
Key Biscayne Water & Sewer Company....	1 273	4 500	Hartland Water Company.....	367	1 500
Mid-Florida Utilities, Inc.	722	2 500	Mars Hill & Blaine Water Company.....	651	2 500
(Providing service in unincorporated areas of Indian River County adjacent to Vero Beach)			Mechanic Falls Water Company.....	604	2 400
Oakridge Utility Company.....	1 326	4 600	Millinocket Water Company.....	2 244	9 000
(Serving unincorporated areas in Dade County)			North Berwick Water Company.....	366	1 500
			Northern Water Company.....	729	2 900
			(Serving East Millinocket)		
			Penobscot County Water Company.....	2 773	11 100
			(Serving Ellsworth, Veazie and Orono)		
			Sangerville Water Supply Company.....	190	800
			Skowhegan Water Company.....	1 869	7 400
			Southwest Harbor Water Company.....	492	2 000
			Waldoboro Water Company.....	391	1 300

WATER AND SEWER

	Customers Served Dec. 31, 1966	Estimated Population Served		Customers Served Dec. 31, 1966	Estimated Population Served
MARYLAND					
Holly Hall Terrace Sanitary Corporation ...	325 }	1 200	Clearview Water Supply Company.....	4 287	16 400
Holly Hall Utilities Corporation.....	351 }		(Serving Natrona and Natrona Heights)		
(Providing water and sewage services in the eastern outskirts of Elkton, Maryland)			Clymer Citizens Water Company.....	624	2 300
MISSOURI					
Capital City Water Company	7 915	32 000	Consolidated Water Company of Coudersport	869	3 000
(Serving Jefferson City)			Dauphin Consolidated Water Supply Company.....	11 668	52 000
NEW JERSEY					
Lambertville Water Company.....	1 111	4 400	(Serving Paxtang, Penbrook, Rutherford Heights, Colonial Park, Oberlin, Enhaut, Bressler, Dauphin, Hummelstown, Middle Paxton and Susquehanna Townships and the Pennsylvania Railroad at Enola and Harrisburg)		
Toms River Water Company.....	7 100	31 300	East McKeesport Water Company	974	3 500
Shore Hills Water Company....	936	3 300	Freeport Water Company.....	866	3 000
NEW YORK					
The Citizens Water Supply Company of Newtown.....	7 252	30 800	Galeton Eldred Water Company.....	1 061	2 800
(Serving the Villages of Great Neck, Great Neck Estates, Great Neck Plaza, Kensing- ton, Kings Point, Thomaston, Saddle Rock, Town of Hempstead, all on Long Island)			(Serving Galeton and Eldred)		
The New Rochelle Water Company.....	2 058	163 500	Greenwood Water Company.....	456	1 800
(Serving the Villages of Pelham Manor, North Pelham, Bronxville, Tuckahoe, Dobbs Ferry, Ardsley, Hastings, City of New Rochelle, Town of Eastchester, and adjacent portions of the Village of Pelham, and Towns of Mamaroneck, Greenburgh, Mount Pleasant, all in the County of Westchester)			High Ridge Water Supply Company.....	263	1 500
NORTH CAROLINA					
Carolina Water Company.....	1 755	5 600	(Serving industries and communities along Pennsylvania Railroad from Seward to Blairsville, Derry and Latrobe)		
(Serving Beaufort and Snow Hill)			Highspire Water Supply Company.....	1 332	5 200
OREGON					
Oregon Water Corporation.....	16 620	59 500	Jersey Shore Water Company.....	2 136	6 800
(Serving Klamath Falls, Roseburg and Oakland)			Marysville Water Company.....	926	3 700
PENNSYLVANIA					
Blair Gap Water Supply Company.....	338	1 400	Mechanicsburg Water Company.....	3 792	14 500
(Serving industries and communities along Pennsylvania Railroad from Tyrone through Altoona to Holidaysburg)			Octoraro Water Company.....	893	9 000
Blossburg Water Company.....	621	2 000	(Serving Parkesburg and communities along Pennsylvania Railroad from Coatesville to Quarryville)		
Butler Township Water Company.....	938	3 700	Orbisonia Water Company.....	383	1 400
(Serving South Ashland, Gordon, Locust Gap, Locust Dale and Lavelle)			Stewartstown Water Company.....	376	1 400
RHODE ISLAND					
			Trevorton Water Company.....	636	2 500
			Wrightsville Water Supply Company.....	892	3 500
			Wakefield Water Company.....	3 633	21 500
			(Serving Wakefield, Peace Dale, Narra- gansett and Bonnet Shores)		
			Total Water.....	267 247	1 093 200

HEATING

	Customers Served Dec. 31, 1966		Customers Served Dec. 31, 1966
IDAHO			
Natatorium Company.....	216	PENNSYLVANIA	
(Serving hot water in portion of Boise)		Lewis Jones, Inc.....	1 942
MINNESOTA			
Duluth Steam Corporation.....	341	(Serving steam heat in portion of Philadelphia)	
(Serving steam heat to downtown industrial and office buildings in Duluth)		Longacre Park Heating Company.....	1 321
NEW YORK			
Lawrence Park Heat, Light and Power Company	603	(Serving steam heat in portion of Yeadon)	
(Serving steam heat and electricity in Bronxville)		Overbrook Steam Heat Company.....	1 795
		(Serving steam heat in portion of Philadelphia)	
		Scranton Steam Heat Company.....	889
		(Serving steam heat in portion of Scranton)	
		Wilkes-Barre Steam Heat Company.....	482
		(Serving steam heat in portion of Wilkes-Barre)	
		Total Heating.....	7 589

General Waterworks Corporation Industrial Subsidiaries

INDUSTRIAL—MANUFACTURING

If you are interested in obtaining sales information on a specific product, write or call the particular division or sales office listed below.

FRICK COMPANY

John M. Seabrook, Chairman

John T. Jackson, Vice Chairman

E. W. Forth, President

D. G. Anderson, Vice President and General Manager, Forest and Farm Division

A. E. Roschli, Vice President and General Manager, International Division

Manufacturers of refrigerating, air conditioning and forestry and farm machinery

Plant: Waynesboro, Pennsylvania

Sales Offices:

Atlanta, Georgia

Boston, Massachusetts

Charlotte, North Carolina

Chicago, Illinois

Cincinnati, Ohio

Houston, Texas

Kansas City, Missouri

Los Angeles, California

Memphis, Tennessee

Miami, Florida

New York, New York

Philadelphia, Pennsylvania

Pittsburgh, Pennsylvania

San Francisco, California

Singapore

Washington, D.C.

Waynesboro, Pennsylvania

Syracuse, New York

FRICK PLANS, INC.

C. B. Rex, President

Financing and leasing services

Office: Waynesboro, Pennsylvania

FRICK INDIA LIMITED

Manmohan Singh, Managing Director

Sale and installation of refrigeration equipment in India and Far East

Plant: New Delhi, India

Sales Offices: New Delhi, Bombay, Calcutta and Madras, all in India

FRICK BARBIERI S.p.A.

Lorenzo Cenzato, Managing Director

Sale and installation of refrigeration equipment in Italy, Europe, Africa and the Middle East

Plant: Castelmaggiore, Italy

Sales Offices: Bologna, Milan, Rome, Genoa and Naples, all in Italy

AMERICAN PORTABLE IRRIGATION COMPANY

John M. Seabrook, Chairman

John T. Jackson, Vice Chairman

Robert L. Burke, President

Manufacturers of irrigation equipment and aluminum die cast products

Plant: Eugene, Oregon

Sales Office: Eugene, Oregon

FRICK OF CANADA LTD.

E. L. Disbrow, Vice President and General Manager

Sale and installation of refrigeration equipment in Canada

Plant: Scarborough, Ontario

Sales Offices: Montreal, Toronto and Winnipeg, all in Canada

FRICK DE MEXICO, S.A.

A. E. Roschli, President

J. E. Roberts, Vice President and General Manager

Sale and installation of refrigeration equipment in Mexico and Latin America

Plant: Chihuahua, Mexico

Sales Offices: Mexico City, Guadalajara and Monterey all in Mexico

PENNSYLVANIA-BRADFORD APPLIANCE CORPORATION

A. J. Pellegrini, President

Manufacturers of domestic and commercial gas and electric water heaters

Plants: Philadelphia, Pennsylvania, Louisville, Kentucky

Sales Offices:

Arlington, Virginia

Boston, Massachusetts

Buffalo, New York

Chicago, Illinois

Detroit, Michigan

Farmingdale, L. I., New York

Fort Worth, Texas

Hamden, Conn.

Highland, North Carolina

Houston, Texas

Kansas City, Kansas

Memphis, Tennessee

Minneapolis, Minn.

New Orleans, La.

Pittsburgh, Pa.

St. Louis, Missouri

INDUSTRIAL—MANUFACTURING

SOUTHWEST FABRICATING & WELDING CO., INC.

John M. Seabrook, Chairman
John T. Jackson, Vice Chairman
Grover H. Lockwood, President

Manufacturers of prefabricated processing piping, pressure vessels, heat exchangers, cryogenic vessels and material handling equipment for petroleum, chemical and power industries.

Office: Houston, Tex.

Plants: Houston, Tex., Baton Rouge, La.

AMERICAN VITRIFIED PRODUCTS COMPANY

John M. Seabrook, Chairman
John T. Jackson, Vice Chairman
John C. Monday, President

Manufacturers of clay sewer pipe, concrete pipe and other clay and concrete products.

Office: Cleveland, O.

Plants:

Brazil, Ind.	Somerville, N.J.
Cleveland, O.	South Bend, Ind.
Crawfordsville, Ind.	St. Louis, Mo.
Detroit, Mich.	Uhrichsville, O.
E. Liverpool, O.	Whitehall, Ill.
Los Angeles, Cal.	

Sales Offices:

Chicago, Ill.	Milwaukee, Wis.
Cleveland, O.	New York, N.Y.
Detroit, Mich.	Somerville, N.J.
Los Angeles, Cal.	St. Louis, Mo.

WALWORTH COMPANY

W. Frederick Spence, Chairman
John W. Collins, President
John R. Kiessling, Executive Vice President

Manufacturers of iron, steel, stainless steel, bronze, ductile iron, various alloys and plastic valves for the chemical, petroleum, marine, oil drilling, mining, food processing, construction, public utility, heating, air conditioning and aerospace industries. Also manufacturers of pressure reducing, back pressure, combination and high pressure regulators for the oil drilling and gas industries for aerospace and military applications.

Plants:

East St. Louis, Ill.	Oakland, Cal.
Greensburg, Pa.	South Braintree, Mass.
Kewanee, Ill.	Milan, Italy
Linden, N.J.	Patti, Sicily

Sales Offices:

Akron, O.	Denver, Colo.	Lafayette, La.
Atlanta, Ga.	E. St. Louis, Ill.	Linden, N.J.
Baton Rouge, La.	El Segundo, Cal.	Los Angeles, Cal.
Birmingham, Ala.	Greensburg, Pa.	Oakland, Cal.
Boston, Mass.	Haddonfield, N.J.	Odessa, Tex.
Braintree, Mass.	Harrison, N.J.	Orlando, Fla.
Camden, N.J.	Hazlet, N.J.	Pittsburgh, Pa.
Chicago, Ill.	Houston, Tex.	Seattle, Wash.
Dallas, Tex.	Huntsville, Ala.	Tulsa, Okla.

Dairy Subsidiary

HOME TOWN FOODS, INC. (Foremost Dairies of the South)

Robert S. Maerz, President
William J. Russell, Executive Vice President

Milk processing and ice cream manufacturer.

Plants:

Ashland, Ky.	Columbia, Tenn.	Spartanburg, S.C.
Atlanta, Ga.	Jacksonville, Fla.	St. Petersburg, Fla.
Birmingham, Ala.	Miami, Fla.	Sylacauga, Ala.
Bristol, Va.	Montgomery, Ala.	Welch, W. Va.
Charlotte, N.C.	Savannah, Ga.	

Communications Services Subsidiaries

General Waterworks Corporation

	Customers Served Dec. 31, 1966
Telephone Answering Services	
Pennsylvania, Delaware	14 787
Serving Pittsburgh, Philadelphia, Wilmington, Harrisburg and 31 smaller communities.	
New York	7 761
Serving Brooklyn, Queens, Long Island and 30 smaller communities.	
Midwest	6 666
Serving Chicago, Milwaukee, Minneapolis, St. Paul, Detroit and 12 smaller communities.	
Farwest	5 927
Serving Portland, Oregon, Vancouver, Wash., Northern California, Southern California, Sacra- mento, Palm Springs, and 10 smaller communities.	
Southwest	5 670
Serving Houston, Ft. Worth, Kansas City, Wichita and 10 smaller communities.	
Canada	20 908
Serving Montreal, Toronto, Quebec City, Ottawa, Winnipeg and 25 smaller communities.	
Total	61 719

Answer America—National Franchise Service

A national franchise corporation handling multi-city national accounts with 423 member-franchises.

Radio Services

One-way pocket paging and Two-way mobile radio systems are operating on F.C.C. licenses in a number of cities.

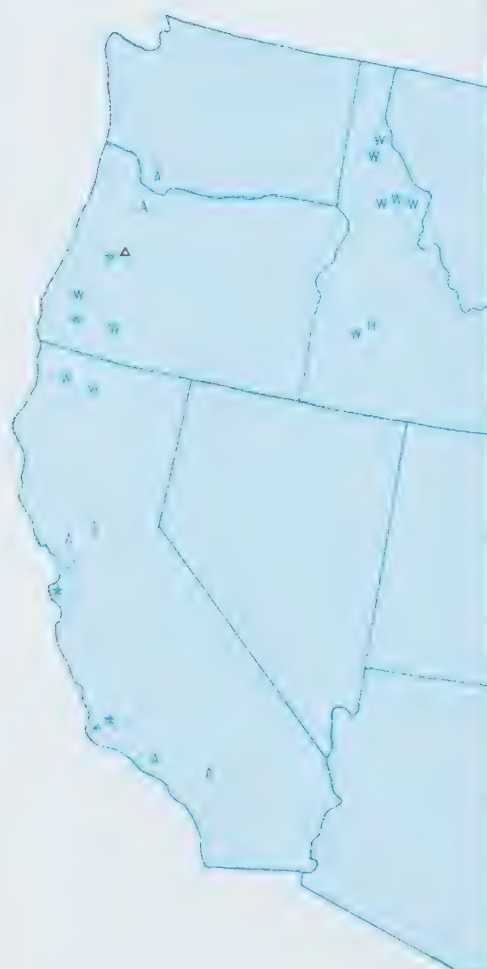


SYSTEMS MAP





GENERAL WATERWORKS CORPORATION and SUBSIDIARIES



LEGEND

UTILITIES:

- W Water properties
- S Sewer properties
- H Heating plants

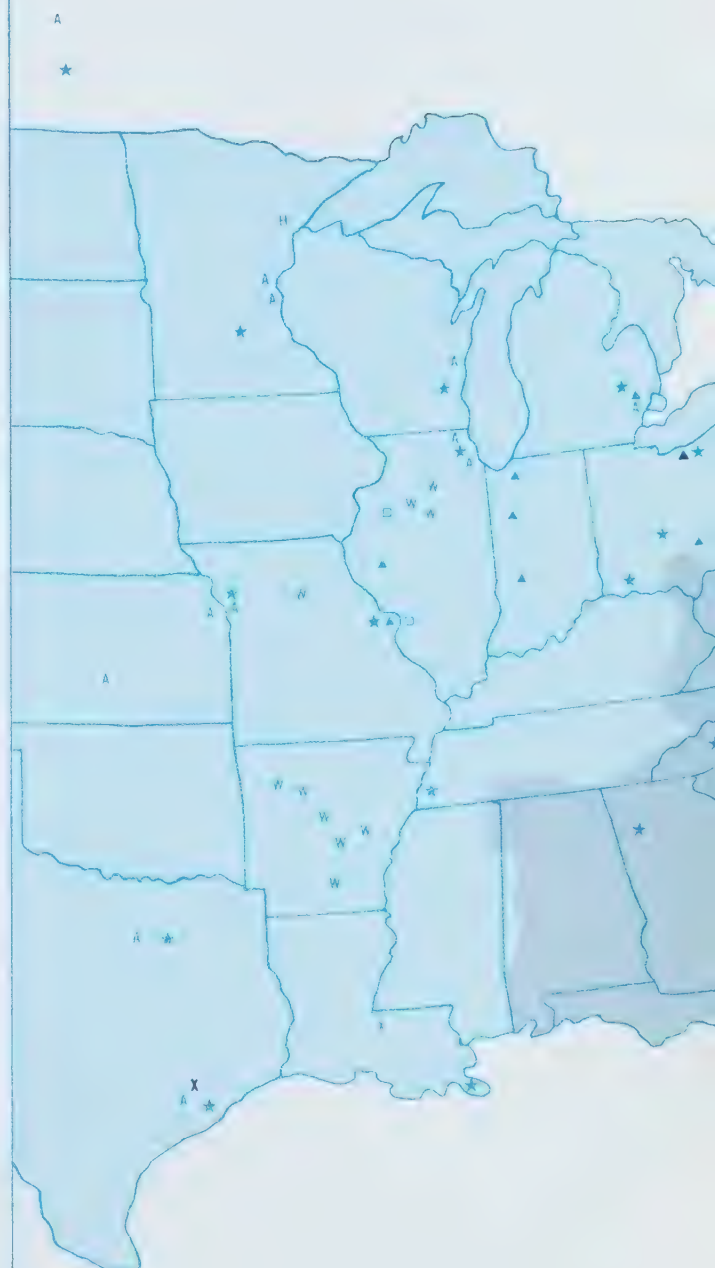
INDUSTRIAL— MANUFACTURING:

- Frick Company
at Waynesboro, Pa.
- Walworth Company head-
quarters at New York, N. Y.
- Pennsylvania-Bradford Appliance
Div. at Phila., Pa. and
Louisville, Ky.
- ▲ American Vitrified Products Com-
pany headquarters at
Cleveland, Ohio
- △ American Portable Irrigation
Company at Eugene, Oregon
- X Southwestern Fabricating &
Welding Co. Inc. headquarters
at Houston, Tex.
- ★ Industrial Sales Offices

OTHER:

- A Principal locations of communica-
tions services subsidiaries
- D Area serviced by Home Town
Foods, Inc. (Foremost Dairies of
the South) headquarters at
Jacksonville, Fla.
- Office building, Philadelphia, Pa.

Above Symbols printed in black
designate headquarters office.



ARIES SYSTEM MAP



This

is

General

Waterworks '67



Principal

Services and

Products



The within report is not a representation, prospectus or circular in respect of any stock or security of any corporation, and is not transmitted in connection with any sale or offer to sell or buy any stock or security now or hereafter to be issued or with any preliminary negotiation for sale.

Introduction

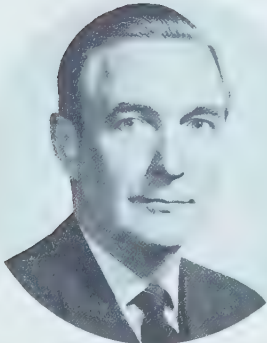


Howard Butcher, III
Chairman

General Waterworks Corporation, from its inception in 1942, has made controlling or minority investments in businesses with the objective of making the best possible return for its stockholders.

This brochure, while it also contains certain financial information, primarily devotes itself to reviewing the structure of the Company and the basic nature of the businesses in which the Company now has investments.

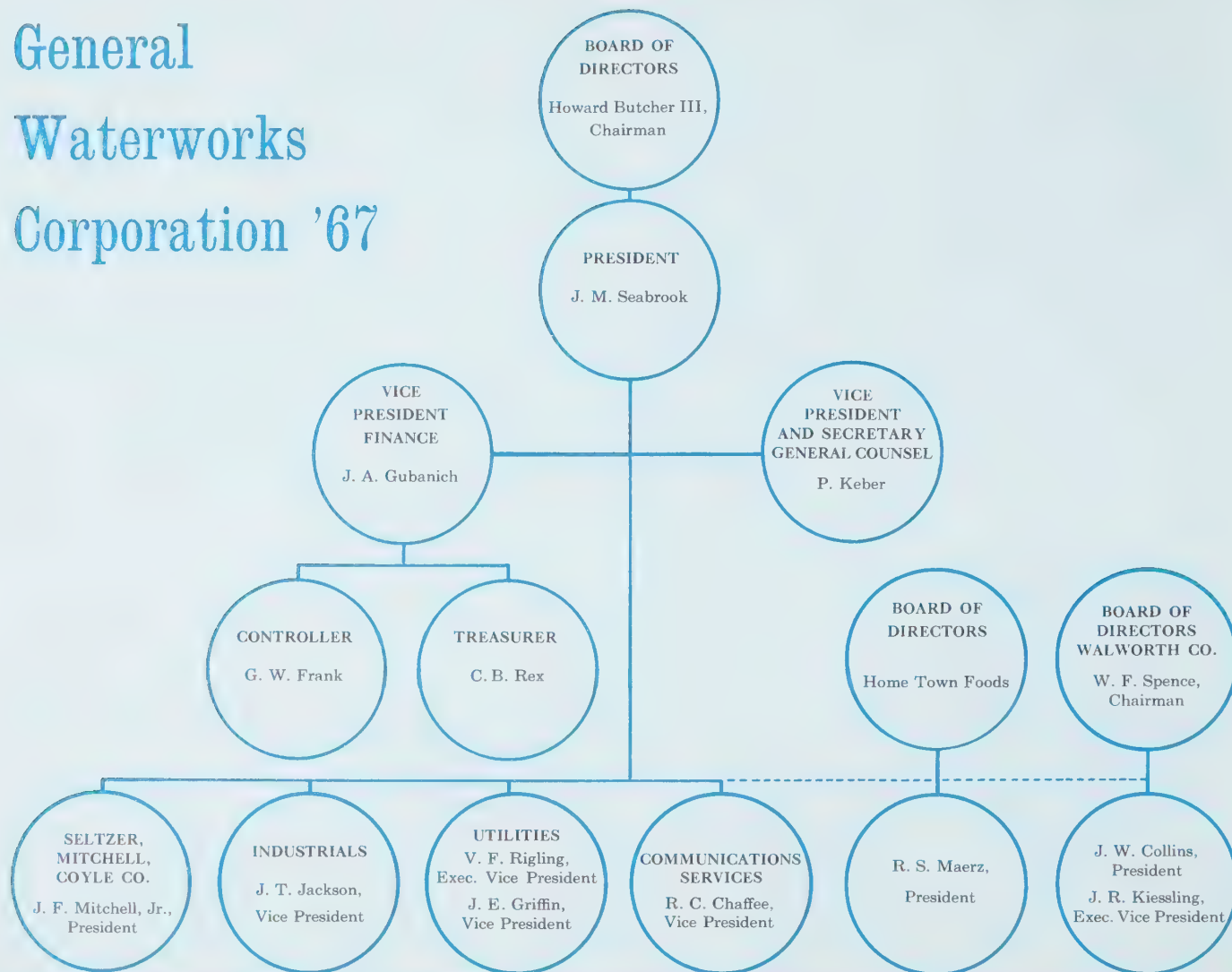
The purpose is to give the reader a fuller appreciation of the varied aspects contributing to the past performance of the Company and those underlying its future growth.



John M. Seabrook
President



General Waterworks Corporation '67



HIGHLIGHTS

Selected Historical Financial Information (\$000)

	1966	1965	1964	1963	1962	1959	1957	1946	1943
Revenues and net sales:									
Utilities, other than telephone	\$ 21,529	18,283	17,587	17,079	15,759	12,112	8,172	1,751	647
Dividends, interest and other	2,776	2,507	1,967	1,128	528	203	207	126	11
Telephone	—	88	7,291	6,855	6,156	3,373	2,193	—	—
Office building	670	310	282	245	239	222	128	—	—
Industrial	141,079	117,783	48,371	41,303	38,765	7,990	—	—	—
Communications services	10,486	6,432	1,660	—	—	—	—	—	—
Dairy	72,367	69,234	—	—	—	—	—	—	—
Insurance brokerage	564	—	—	—	—	—	—	—	—
Total	<u>\$249,471</u>	<u>214,637</u>	<u>77,158</u>	<u>66,610</u>	<u>61,447</u>	<u>23,900</u>	<u>10,700</u>	<u>1,877</u>	<u>658</u>
Net income	\$ 16,733	7,109	6,304	7,508	3,436	2,106	1,533	354	89
Net income per average share of common stock:									
From operations	\$ 3.16	2.31	1.88	1.65	1.32	.96	1.16	.89	.22
From sales of investments	4.00	.85	1.22	2.74	.27	.43	.30	.03	.02
Total	<u>\$ 7.16</u>	<u>3.16</u>	<u>3.10</u>	<u>4.39</u>	<u>1.59</u>	<u>1.39</u>	<u>1.46</u>	<u>.92</u>	<u>.24</u>
Consolidated book value per share	\$ 26.42	21.46	19.29	16.62	13.18	10.22	10.14	2.39	.37
Consolidated total assets	\$304,674	252,045	199,569	164,032	153,331	99,095	60,381	11,574	7,250

General Description

GWC

General Waterworks Corporation was incorporated in Delaware on July 1, 1942. Shortly thereafter it acquired twenty water companies located in Arkansas. It has continued to acquire other water and sewer companies and properties.

In 1946 General acquired its first telephone subsidiaries. It remained in the independent telephone business until the end of 1964, when it exchanged the subsidiaries for the equivalent of 1,887,250 shares of common stock of Continental Telephone Corporation.

General acquired by merger in 1957 the 22-story office building located at 1500 Walnut Street, Philadelphia, Pa. The rentable office space was doubled by an extensive modern addition in 1965.

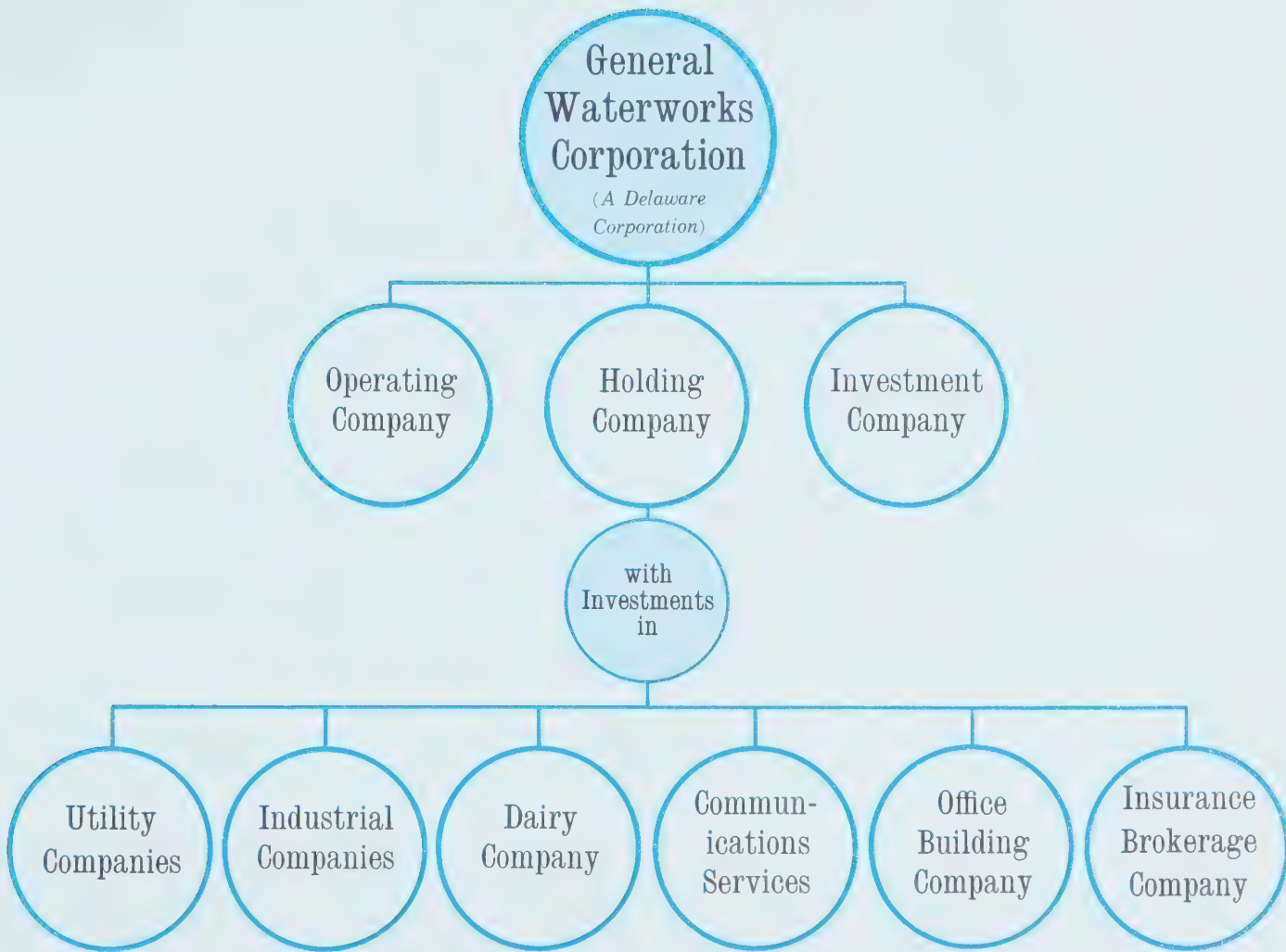
Late in 1958 General acquired Pennsylvania-Bradford Appliance, manufacturer of water heaters. Frick Company was acquired in 1959 by exchange of stock. Controlling interest of American Portable Irrigation Company was obtained in 1960 and of American Vitrified Products Company (Amvit) during 1962. Control of Southwest Fabricating and Welding Company was purchased late in 1964. Minority investment in Walworth Company was made as early as 1959, with control acquired in 1965. General now has 100% ownership in all of its industrial subsidiaries except in Amvit (81%) and in Walworth (57%).

A new phase of operations was added during 1964 by the acquisition of telephone answering service companies. Acquisition of these companies has continued at an active pace.

In 1965 a newly created subsidiary purchased the assets of the Southeastern Region of Foremost Dairies, Inc., adding another distinctive phase to General's operations.

Expanding the service segments of its operation, General purchased in 1966 the insurance brokerage business conducted under the name of Seltzer, Mitchell, Coyle Co.

For reasons explained elsewhere, General merged with wholly-owned utility subsidiaries and acquired industrial property to become an operating company.



1966 Revenues or sales \$	21,529,000	141,079,000	72,367,000	10,486,000	670,000	564,000
1966 Total assets	\$104,458,000	115,023,000	23,674,000	13,761,000	9,531,000	772,000



General Waterworks Corporation is a public utility operating company under State of Arkansas statutes and is subject to regulation by the Public Service Commission of that state. General is not subject to similar regulation in Florida or Delaware.

The properties in Winter Park, Florida and in Delaware were acquired by merger with wholly-owned subsidiary companies primarily to provide security for bonds of General issued in 1956. The Pine Bluff Water Company, a wholly-owned subsidiary, was merged in 1958 to improve General's tax position.

Land and factory buildings located in Waynesboro, Pennsylvania were acquired at the time General exchanged its stocks for the assets of Frick Company, manufacturer of refrigeration equipment. All assets acquired except for the land and buildings were transferred to a wholly-owned subsidiary, Frick Company. General retained the real estate to save transfer and other taxes.

General Waterworks Corporation

as an
Operating
Company

owns and operates water and sewer utility properties in

Pine Bluff,
Arkansas
(Water)

In 1958, Pine Bluff Water Company, a wholly-owned subsidiary, was merged into General. Prior to merger, General leased facilities from Pine Bluff Water Co.

Winter Park,
Florida
(Water &
Sewer)

In 1956, Florida Utilities Corporation, a wholly-owned subsidiary, was merged into General.

Delaware
(Water)

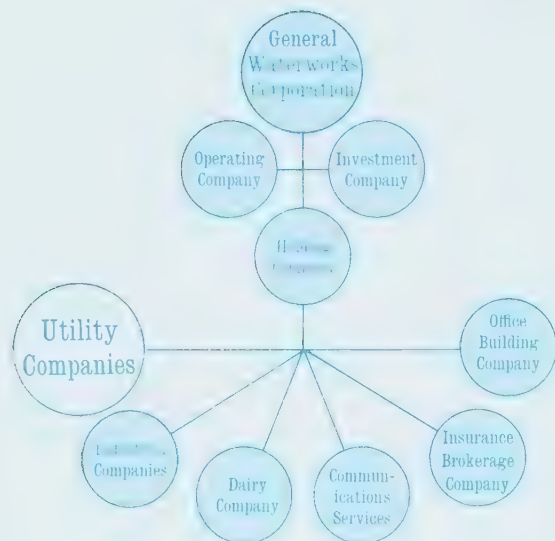
Leased to Delaware Water Corporation, a wholly-owned subsidiary. Property originally acquired in 1956 by merger of Delaware Water Company, a wholly-owned subsidiary.

owns land and factory buildings in Waynesboro, Pa.

Leased to Frick Company, a wholly-owned subsidiary.

Combined Net Book Value of Utility Plant	\$11,142,000
Gross Revenues	\$ 1,824,000

Net Book Value of Land and Buildings	\$2,811,000
---	-------------



The utility segment of General is comprised of water, sewer, heating, and to a minor extent, electricity. These operations are conducted by 89 subsidiaries in 17 states.

The water subsidiaries collect, purify, distribute and sell water for public and private consumption, as well as provide fire protection.

The physical properties of the water subsidiaries include land, wells, pumps, reservoirs, impoundage basins, purification equipment, filter plants, softeners, pipelines, meters, transportation units, tools, structures and related equipment. All water subsidiaries are considered to have adequate supplies of water for their present and immediate future requirements. Currently approximately 65% of sales is water pumped from surface and well supplies, 24% obtained from gravity supplies, and 11% of the water requirement is purchased from other water systems.

The following tabulation shows the states in which the water properties are located, together with the number of cities, customers and estimated population served at December 31, 1966:

<i>State</i>	<i>Number of Water Properties</i>	<i>Communities Served</i>	<i>Customers Served</i>	<i>Estimated Population</i>
Florida	15	33	58,361	211,900
Pennsylvania	22	54	34,331	141,400
New York	2	18	34,310	194,300
Idaho	2	6	29,389	101,100
Arkansas	6	6	27,644	97,500
Oregon	1	3	16,620	59,500
Maine	16	19	16,139	64,500
Delaware	4	11	15,760	71,200
New Jersey	3	4	9,147	39,000
Missouri	1	1	7,915	32,000
Illinois	3	8	4,272	19,700
Indiana	1	3	3,690	19,000
Rhode Island	1	4	3,633	21,500
Connecticut	3	3	2,200	9,500
North Carolina	1	2	1,755	5,600
California	1	2	1,405	4,300
Maryland	2	1	676	1,200
	84	178	267,247	1,093,200

General
Waterworks
Corporation
with
Investments
in

Water

Utility
Companies

Water

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Arden Water Co.	33,700	88.3
Blair Gap Water Supply Co.	122,500	100
Blossburg Water Co.	22,900	100
Boise Water Corp.	1,223,200	100
Dunsmuir Water Corp.	86,800	100
Idaho Water Co.	354,600	100
Oregon Water Corp.	962,500	100
Butler Township Water Co.	46,800	100
Calais Water and Power Co.	109,100	100
Capital City Water Co.	478,900	100
Caribou Water Works Corp.	164,700	100
Carolina Water Co.	78,900	100
Citizens Water Supply Co.—Newtown	915,600	100
Clearview Water Supply Co.	221,700	100
Clymer Citizens Water Supply Co.	22,900	100
Consolidated Water Co.—Coudersport	51,700	100
Consumers Water Co.	1,229,700	100
Dauphin Consol. Water Supply Co.	750,400	100
Delaware Water Corp.	914,700	100
Delwatco, Inc.	182,000	100
East McKeesport Water Co.	56,900	100
Eastport Water Co.	96,600	97.1
England Water Co., Inc.	47,000	100
Estates Water Co.	25,600	100
Fordyce Water Co., Inc.	99,700	100
Freeport Water Co.	71,700	100

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Galeton-Eldred Water Co.	43,100	100
Greenville Water Co.	34,700	100
Greenwood Water Co.	17,300	100
Guilford Water Co.	50,200	100
Hamburg Water Co., Inc.	56,500	100
Hartland Water Co.	26,600	99.6
High Ridge Water Supply Co.	48,000	100
Highspire Water Supply Co.	65,500	100
Holly Hall Terrace Utilities Corp.	23,800	100
Illinois Municipal Water Co.	216,200	100
Jersey Shore Water Co.	94,500	100
Lambertville Water Co.	78,100	97.6
Mars Hill & Blaine Water Co.	32,800	100
Marysville Water Co.	29,200	100
Mechanic Falls Water Co.	31,500	100
Mechanicsburg Water Co.	175,000	99.9
Mid-Florida Utilities, Inc.	37,400	100
Millinocket Water Co.	113,600	100
Morrilton Water Co., Inc.	150,100	100
New Castle County Water Co.	177,800	100
New Milford Water Co.	66,600	99.2
New Rochelle Water Co.	2,825,700	99.5
Newtown Water Co.	74,100	100
North Berwick Water Co.	18,300	100
Northern Water Co.	55,900	100
Oakridge Utility Co.	65,700	100
Octoraro Water Co.	81,300	100

The sewer properties of the companies are located principally in Florida, with lesser operations in Illinois and Maryland. The physical property includes collecting and force mains, lift stations, pumping equipment, digestors and treatment plants and related equipment. These facilities are operated in conjunction with water properties of subsidiaries located in the same areas.

Heating operations are conducted by eight subsidiaries operating in four states. Except for Natatorium Company, which provides hot water from natural hot water wells to customers in portions of Boise, Idaho, all heating subsidiaries provide residential and commercial customers live steam generated by the subsidiaries. The physical properties of this latter group include land, buildings, high pressure boilers, water softeners, feed water pumps, fuel storage tanks, regulators, transmission mains, meters and other related equipment.

These heating subsidiaries are located in Idaho, serving 216 customers; in Minnesota, 341 customers; in New York, 603 customers; and in Pennsylvania, 6,429 customers.

The following is a comparative summary of the contribution the utility division makes to the consolidated effort:

	1966	1965	1964	1963	1959
Operating revenues	\$ 21,528,000	18,372,000	17,587,000	17,079,000	12,111,000
Operating expenses and taxes:					
Operations	9,909,000	8,238,000	7,634,000	7,473,000	5,227,000
Maintenance	1,784,000	1,398,000	1,324,000	1,265,000	912,000
Taxes, other than income taxes	2,472,000	2,301,000	2,189,000	2,101,000	1,540,000
Federal and State income taxes	1,274,000	1,024,000	1,229,000	1,169,000	875,000
Provision for depreciation	1,882,000	1,669,000	1,571,000	1,513,000	1,081,000
	<u>17,321,000</u>	<u>14,630,000</u>	<u>13,947,000</u>	<u>13,521,000</u>	<u>9,635,000</u>
Net operating revenues	4,207,000	3,742,000	3,640,000	3,558,000	2,476,000
Income (credits) deductions, net:					
Interest charges	568,000	489,000	415,000	494,000	505,000
Other income	(448,000)	(1,205,000)	(943,000)	(523,000)	(103,000)
Minority interest	65,000	66,000	67,000	68,000	73,000
	<u>185,000</u>	<u>(650,000)</u>	<u>(461,000)</u>	<u>39,000</u>	<u>475,000</u>
Contribution of utility operations to consolidated income	\$ <u>4,022,000</u>	<u>4,392,000</u>	<u>4,101,000</u>	<u>3,519,000</u>	<u>2,001,000</u>

General
Waterworks
Corporation
with
Investments
in

Water

Utility
Companies

Water
and
Sewer

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Orbisonia Water Co.	13,200	100
Penobscot County Water Co.	248,300	100
Russellville Water Co., Inc.	264,400	100
Sangerville Water Supply Co.	11,800	100
Shore Hills Water Co.	52,300	100
Skowhegan Water Co.	133,300	100
South Gate Water & Sewer Co., Inc.	99,100	100
Southwest Harbor Water Co.	48,400	100
Stewartstown Water Co.	21,400	100
Toms River Water Co.	415,600	100
Trevorton Water Co.	28,600	100
Wakefield Water Co.	228,500	100
Waldoboro Water Co.	33,200	100
Warrenville Water Co.	22,600	92.5
Watcopa, Inc.	57,000	100
West Lafayette Water Co.	371,800	100
Wilmington Suburban Water Corp.	1,010,890	100
Woodbury Water Co.	26,900	98.3
Wrightsville Water Supply Co.	43,200	100

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
East Orlando Utility Co.	20,000	100
Key Biscayne Water Co.	145,100	100
Jacksonville Suburban Utilities, Inc.	343,800	100
Peninsula Utilities Corp.	236,600	100
Preston Utilities Corp.	53,500	100
Tampa Suburban Utilities Corp.	91,800	100
Temple Utilities Corp.	68,100	100

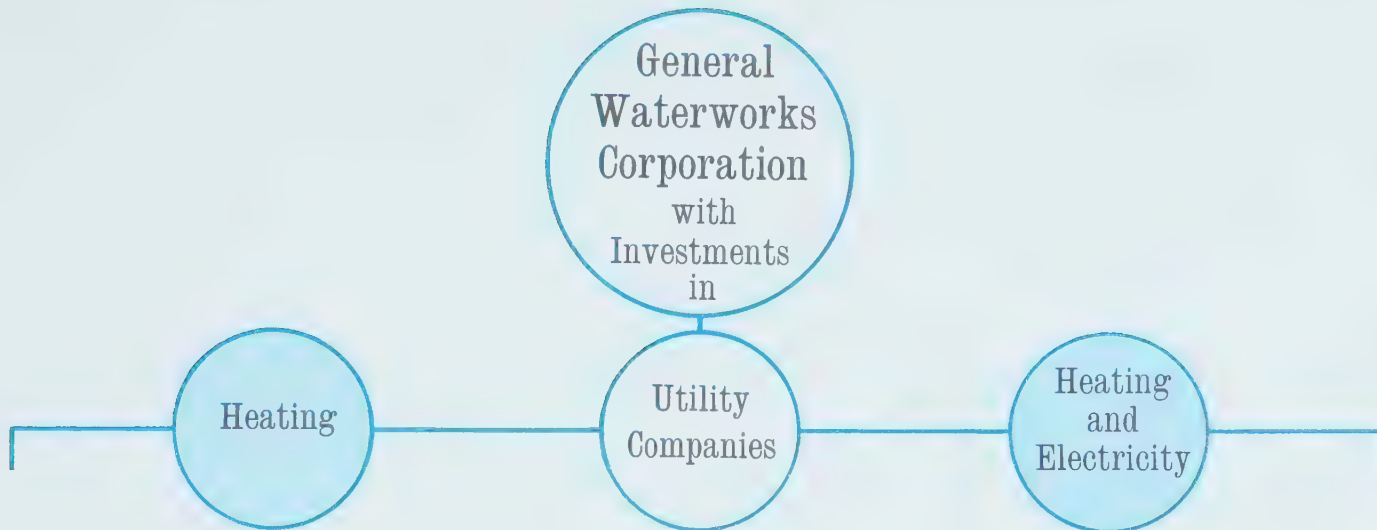
Sewer

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Holly Hall Terrace Sanitary Corp.	23,100	100

The utility subsidiaries are, in general, subject to regulation by the respective state regulatory commissions or municipal bodies where they operate. The regulatory commissions have, in general, broad administrative powers and authority to regulate water, sewer and heating utilities, including therein the power to regulate rates and service; the issuance of securities; the keeping of books and records and the establishing of a uniform system of accounts and the relations between a public utility and affiliated companies.

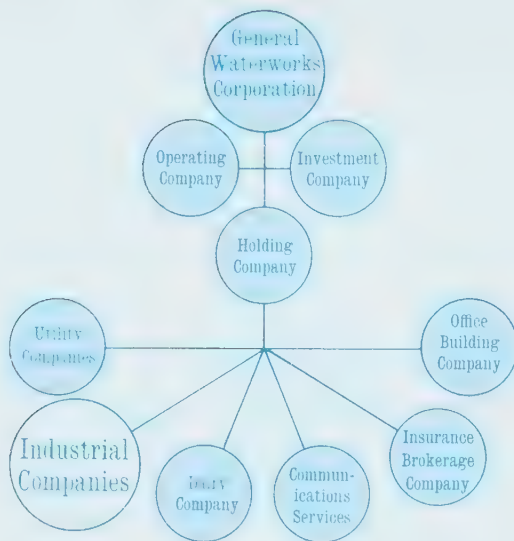
The utility subsidiaries possess such valid franchises, water rights, licenses and permits as are necessary for the adequate conduct of the business as now conducted. In most instances such franchise rights are non-exclusive. In certain cases permits have not been received for service in unincorporated areas, and in a few instances, not deemed material in the aggregate, service is being rendered in municipalities without specific franchise authority due to franchise expirations. In all cases service is now being rendered without question or assertion of lack of authority by the municipalities concerned.

In most of the states in which the operations of the water subsidiaries are carried on, there exists the right of municipal acquisition.



<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Duluth Steam Corp.	853,400	100
Longacre Park Heating Co.	308,300	100
Natatorium Company	52,100	100
Pennsylvania Utilities Investment Corp.	142,600	99.9
Lewis Jones, Inc.	531,000	100
Overbrook Steam Heat Company	460,200	100
Scranton Steam Heat Company	940,700	100
Wilkes-Barre Steam Heat Co.	570,000	100

<i>Company</i>	<i>Revenues</i>	<i>% of Voting Securities Owned</i>
Lawrence Park Heat, Light & Power Co.	413,800	100



The contribution which the industrial subsidiaries have made and are expected to make to the overall operations and to the consolidated income picture of General Waterworks Corporation is reflected in the following tabulation:

	1967 (Budgeted)	1966	1965	1964	1959
Net sales	\$153,298,000	141,080,000	117,783,000	48,371,000	7,990,000
Costs and expenses:					
Cost of goods sold	121,348,000	111,200,000	96,698,000	39,523,000	6,589,000
Selling, general and administrative expenses	17,605,000	17,581,000	14,901,000	6,515,000	1,132,000
Depreciation and amortization	<u>2,700,000</u>	<u>2,696,000</u>	<u>2,681,000</u>	<u>1,349,000</u>	<u>104,000</u>
	<u>141,653,000</u>	<u>131,477,000</u>	<u>114,280,000</u>	<u>47,387,000</u>	<u>7,825,000</u>
Operating profit	11,645,000	9,603,000	3,503,000	984,000	165,000
Other deductions:					
Interest expense	1,692,000	1,467,000	1,419,000	148,000	47,000
Miscellaneous, including minority interest	<u>1,045,000</u>	<u>973,000</u>	<u>(385,000)</u>	<u>(278,000)</u>	<u>(25,000)</u>
	<u>2,737,000</u>	<u>2,440,000</u>	<u>1,034,000</u>	<u>(130,000)</u>	<u>22,000</u>
Income before income taxes	8,908,000	7,163,000	2,469,000	1,114,000	143,000
Federal and State income taxes	<u>3,468,000</u>	<u>1,787,000</u>	<u>782,000</u>	<u>154,000</u>	<u>99,000</u>
Contribution of industrial subsidiaries to consolidated income	<u>\$ 5,440,000</u>	<u>5,376,000</u>	<u>1,687,000</u>	<u>960,000</u>	<u>44,000</u>

General Waterworks Corporation with Investments in

Industrial Companies

AMERICAN PORTABLE IRRIGATION COMPANY (100% Owned)

1966 Financial Information

Assets	\$ 2,987,000
Sales	3,356,000
Contribution to Net Income	177,000
Control Acquired	April 1960

AMERICAN VITRIFIED PRODUCTS COMPANY (81% Owned)

1966 Financial Information

Assets	\$11,677,000
Sales	14,464,000
Contribution to Net Income	(678,000)
Control Acquired	September 1962

FRICK COMPANY (100% Owned)

1966 Financial Information

Assets	\$25,191,000
Sales	21,233,000
Contribution to Net Income	1,262,000
Control Acquired	November 1959

PENNSYLVANIA-BRADFORD APPLIANCE CORPORATION (100% Owned)

1966 Financial Information

Assets	\$ 3,510,000
Sales	7,190,000
Contribution to Net Income	254,000
Control Acquired	December 1958

SOUTHWEST FABRICATING COMPANY, INC. (100% Owned)

1966 Financial Information

Assets	\$14,742,000
Sales	31,573,000
Contribution to Net Income	2,093,000
Control Acquired	October 1964

WALWORTH COMPANY (57% Owned)

1966 Financial Information

Assets	\$56,916,000
Sales	63,263,000
Contribution to Net Income	2,268,000
Control Acquired	January 1965

American Portable Irrigation Company

American Portable Irrigation Company manufactures irrigation equipment bearing the internationally known "IRECO" trademark for the agricultural industry, and precision die cast parts and components for aircraft, electronic data processing, missile and other industries.

Physical facilities consist of modern steel buildings of about 105,000 square feet located on eleven acres of improved land, with railroad spur track and modern truck loading facilities.

This is a completely integrated operation with machine tool facilities capable of the manufacture of tools, dies, jigs, fixtures and production facilities for the manufacture of ferrous and non-ferrous metal components, sub-assemblies and assemblies.

Facilities for light metal die casting are among the most complete in the United States and include the largest die casting machine west of the Mississippi.

Present products are manufactured and marketed by two divisions:

A. IRRIGATION DIVISION

"IRECO" irrigation components are manufactured from both steel and non-ferrous metals with seven complete lines of components which are sold for the sprinkler irrigation of general farmlands, orchards and groves. These include movable and solid set systems for special conditions and applications including the industry's latest innovation, the self-propelled "Hydro-Move".

Present production and sales of irrigation components amount to approximately 50% of APICO's sales.

B. INDUSTRIAL DIVISION

The Industrial Division supplies component parts, assemblies and sub-assemblies to aerospace, automotive and commercial industries. These components are comprised of high quality, short-run die castings, machined parts and welded steel fabrications.

Even though the aerospace industry represents a large customer group, the proportion of total sales shows 85% commercial versus 15% Department of Defense. Certain proprietary items for jet aircraft are sold directly to the airlines. The Industrial Division comprises approximately 50% of total productive output. Major continuing customers include Boeing, IBM, SCM, Texas Instruments, Sperry Rand, NCR and Northrop.

American Vitrified Products Company manufactures vitrified clay sewer pipe, flue lining, wall coping, drain tile, concrete sewer pipe, and other clay and cement products. The company was engaged exclusively in the production of vitrified clay products until approximately twenty-five years ago, when it commenced production of concrete sewer pipe.

Currently, vitrified clay sewer pipe and other clay products account for approximately 85% of the company's net sales and concrete sewer pipe for approximately 15%.

The company manufactures clay pipe and other clay products at its plants in Uhrichsville and East Liverpool, Ohio; Whitehall, Illinois; Crawfordsville and Brazil, Indiana and Somerville, New Jersey. Concrete pipe is manufactured at plants in Livonia, Michigan; Duarte, California; St. Louis, Missouri; South Bend, Indiana and Valley View, Ohio.

The clay pipe and miscellaneous clay products plants consist of drying, molding, manufacturing and kiln processing buildings. The concrete pipe plants consist of mixing, molding, manufacturing and curing buildings. Adjacent to each plant site are large storage facilities. All of the company's plant properties are owned in fee by the company. The company's plants are in good operating condition and the company deems them adequate for its business.

The company's clay pipe and miscellaneous clay products plants have a production capacity of approximately 22,000 tons per year and are currently

American Vitrified Products Company

operating at approximately 60% of capacity. The company's concrete pipe plants have an annual production capacity of approximately 250,000 tons and are also presently operating at approximately 60% of capacity.

AMVIT's new "Lite-A-Line" laser device, developed to assist contractors in laying sewers more accurately and more rapidly, was introduced early in 1967 and is already enhancing AMVIT's image of leadership as well as contributing to its revenues.

Frick Company

Frick Company manufactures industrial and commercial refrigeration and air-conditioning equipment as well as forest machinery and farm machinery. It is also the largest distributor of farm machinery in the eastern part of the United States.

Refrigeration and air-conditioning equipment are manufactured at Waynesboro and contribute nearly 75% of the domestic volume of Frick Company and 100% of its foreign sales. Frick Company is the only manufacturer of *industrial refrigeration equipment* which offers the producers and processors of frozen foods, freeze-dried foods and chemicals, meats, etc., a complete line of equipment of its own manufacture—from every type of freezer, back through the compressors, valves, condensers, chillers, etc., needed to produce the cold—affording the processor or operator one source and one responsibility. In *air-conditioning equipment*, Frick Company is rapidly and continuously adding to its line of equipment and offers to the commercial and industrial quality air-conditioning market the finest products available today.

Frick Company *farm machinery* activities are concentrated in the east from New England to the Gulf Coast. Products of seven manufacturers are distributed through several hundred dealers on a direct from manufacturer basis. Direct shipments are supplemented by inventories located in three strategically located field warehouses to provide quick and efficient service. In

addition, Frick Company manufactures disc harrows, sprayers, dusters, and related items at its branch plant facilities in Nashville, Georgia.

Forest machinery is manufactured at Waynesboro and Nashville and is distributed primarily through a separate group of experienced dealers. The mills, log handling equipment, etc., manufactured are primarily intended for the smaller lumber mill operator and the producer of wood chips for use in paper mills. For this reason, the major distribution lies in the eastern half of the United States, where the bulk of these types of customers are located.

Frick Company operates the following facilities and subsidiaries:

Frick Company—Waynesboro, Pa.—Approximately 1,000,000 square feet of modern facilities, including foundry, machine shop, and plate fabricating areas.

Frick Company—Nashville, Ga.—Approximately 35,000 square feet.

Frick Farm Machinery, Inc.—(100% owned) Waynesboro—distribution of farm machinery.

Frick Plans, Inc.—(100% owned) Waynesboro—financing and leasing services.

Frick of Canada, Ltd.—(100% owned).

Frick Barbieri S.p.A.—(100% owned).

Frick de Mexico S.A.—(49% owned).

Frick India, Ltd.—(51% owned).

Frick Taylor Pty. Ltd.—(90% owned) Brisbane, Australia—In process of reorganization as a subsidiary.

The Pennsylvania-Bradford Appliance Corporation is a leading manufacturer of domestic and commercial water heaters. The water heaters are manufactured at two plants—Philadelphia, Pennsylvania and Louisville, Kentucky. The facilities are fully integrated, from the manufacturing and glass-lining of the tanks to the final assembly of the heater.

Approximately 75% of Pennsylvania-Bradford's distribution is through

Pennsylvania—Bradford
Appliance
Corporation

Walworth Company

the plumbing and heating wholesaler, selling to the plumbing and heating contractor, hardware stores and others. The balance of the sales are to utilities, LP gas distributors, trailer manufacturers and private label heaters to national chain stores.

Walworth Company has been a leading manufacturer of quality valves for over 120 years. The company and its subsidiaries manufacture and sell a wide variety of industrial valves. These have application in all industries in which the flow of liquids or gases must be controlled. Walworth products include gate valves, globe valves, ball valves, plug valves, check valves and pressure reducing valves. The company believes that it has the most complete available line of any manufacturer of this important new product.

During 1955 and 1956 the company acquired Alloy Steel Products Company ("Aloyco"), a manufacturer of corrosion-resistant valves, and Grove Valve and Regulator Company ("Grove"), a manufacturer of pipe line valves and pressure reducing valves. Grove and Aloyco remain as the principal operating subsidiaries of the company.

Most of the products manufactured by Walworth are sold through distributors which stock such products in many of the important trading centers in the United States. There is a broad spectrum of markets for Walworth's products. Valves are sold for use in the chemical, petroleum, pipeline, marine, oil drilling, mining, food processing, construction, pulp and paper, public utility, heating, air conditioning and aerospace industries and for military applications. In terms of sales volume, Walworth is the largest industrial valve manufacturer in the United States. The company has minor marketing subsidiaries in certain foreign countries. In Italy it owns a minority interest in two related valve manufacturing corporations which have been granted licenses to use Walworth designs and trademarks.

Walworth has approximately 3,250 employees. It operates eight principal manufacturing plants in the United States in South Braintree, Mass.; Greens-

burg, Pa.; East St. Louis, Ill.; Kewanee, Ill.; Oakland, Cal.; Longview, Texas; Elizabeth, N. J.; and Linden, N. J. Walworth maintains inventory stocks at six primary warehouses, in addition to inventory at plants.

Southwest Fabricating & Welding Co., Inc. is one of the largest producers of prefabricated piping and a substantial producer of pressure and cryogenic vessels in the United States.

The company furnishes piping and vessels to the oil, chemical, atomic energy and power industries principally, but serves also the paper mill, sugar refining, mining and other industries.

The home office and piping fabricating plants are located in Houston, not far removed from the great petrochemical concentration for which the area is noted, and within a mile of the port of Houston and the ship channel to the Gulf of Mexico. This operation covers some thirteen acres, including a large carbon steel fabricating unit, an alloy shop, warehouses and pipe storage area. From these facilities Southwest ships its products to the four corners of the nation and to various parts of the world.

The Delta Southern Division, covering some twenty-one acres, is in Baton Rouge, Louisiana, within a half mile of the Mississippi River. This huge plant turns out pressure vessels, including fractionating and distillation columns, reactors, heat exchangers, cryogenic vessels and LPG storage tanks, as well as material handling equipment for transporting bulk materials such as cement, oil field mud, etc.

In its piping and vessel fabricating operation, the company's production centers around the two basic types of materials, carbon steel and alloy. These categories include various types within themselves, e.g., in the so-called alloy group would be the several stainless steels, the various chromemolys, monel, hastelloy, nickel, titanium and aluminum, etc. The carbon steel group likewise has items differing metallurgically to suit varying conditions.

Southwest Fabricating & Welding Company, Inc.



The concept of the telephone answering service goes back almost as far as the phone call itself. In the earliest days of telephone history, the phone company operator would usually keep track of messages for the relatively few people in her area who owned phones and would relay such messages as part of her duties. As more and more people acquired telephones, this type of arrangement became impossible.

It soon developed that the business, social and related needs of people depended more and more on the telephone. The unanswered phone call often meant lost business or missed opportunity for the phone subscriber.

The pioneers in the telephone answering industry usually concentrated on serving the medical profession. Soon business people in retail, wholesale, real estate, insurance and other categories found such service either helpful or mandatory.

In July 1964, General acquired its first telephone answering operation and the Communications Services division was organized to take advantage of the rapid growth in the communications field. In 1966 services were broadened and expanded to include other areas of communications such as Answer America—a national franchise service corporation handling multi-city national accounts with 423 member-franchises and radio services using one-way pocket paging and two-way mobile radio systems operating on F.I.C. licenses in a number of cities.

Today operations are conducted by 53 subsidiaries located in 13 states and 3 provinces of Canada. In 1967, it is estimated that approximately 65 million calls will be handled for over 68,000 subscribers.

Communications services subsidiaries are experiencing satisfactory rates of return and are generating cash useful for other corporate activity without the need for reinvestment in fixed assets.

General Waterworks Corporation with Investments in

Communi- cations Services

<i>Operating In</i>	<i>Gross Revenues</i>
Metropolitan and suburban Brooklyn, Queens and Nassau County, New York	2,500,000
Province of Quebec, Canada. In 10 cities principally in Montreal, Westmount, Ponte Clare, and Quebec City	2,185,000
Philadelphia, Delaware and Montgomery Counties in southeastern Pennsylvania in 21 cities and communities principally in Philadelphia, Chester, Norristown, Jenkintown, Swarthmore and King of Prussia	2,120,000
Province of Ontario, Canada. In 16 cities, principally in Toronto, Oshawa, Hamilton, London, Niagara Falls, and Ottawa	2,110,000
Allegheny, Westmoreland and Beaver Counties in western Pennsylvania. In 20 cities and communities principally in Pittsburgh, Mount Lebanon, Carnegie, Coraopolis, Turtle Creek, Wilkinsburg, Aliquippa and Braddock	1,490,000
Metropolitan and suburban Houston and Fort Worth, Texas	939,000
Metropolitan and suburban areas of Minneapolis and St. Paul, Minnesota	800,000

<i>Operating In</i>	<i>Gross Revenues</i>
Metropolitan and suburban Pomona, Covina, Inglewood, Santa Ana, Arcadia, and the Pleasant District of Los Angeles and Palm Springs	633,000
Metropolitan and suburban Modesto, San Mateo, Santa Clara, Stockton, and Sacramento, California	517,000
Metropolitan and suburban Kansas City, Wichita and Mission, Kansas and Kansas City, Missouri	480,000
Cook County, Illinois, with offices in metropolitan Chicago, North Shore area in the cities of Highland Park, Glencoe, Waukegan; north suburban Chicago in the cities and communities of Skokie, Glenview, Morton Grove, Park Ridge, Niles, and Des Plaines, Illinois	406,000
Metropolitan and suburban areas of Portland, Oregon and Vancouver, Washington	400,000
New Castle County in Delaware, in the cities of Wilmington, New Castle and Claymont	332,000
Metropolitan and suburban Detroit, Michigan	280,000
Metropolitan and suburban Winnipeg, Canada	223,000
Metropolitan and suburban Milwaukee, Wisconsin	200,000
Dauphin County in central Pennsylvania, in the cities of Harrisburg, Paxtang, Steelton and Camp Hill	147,000



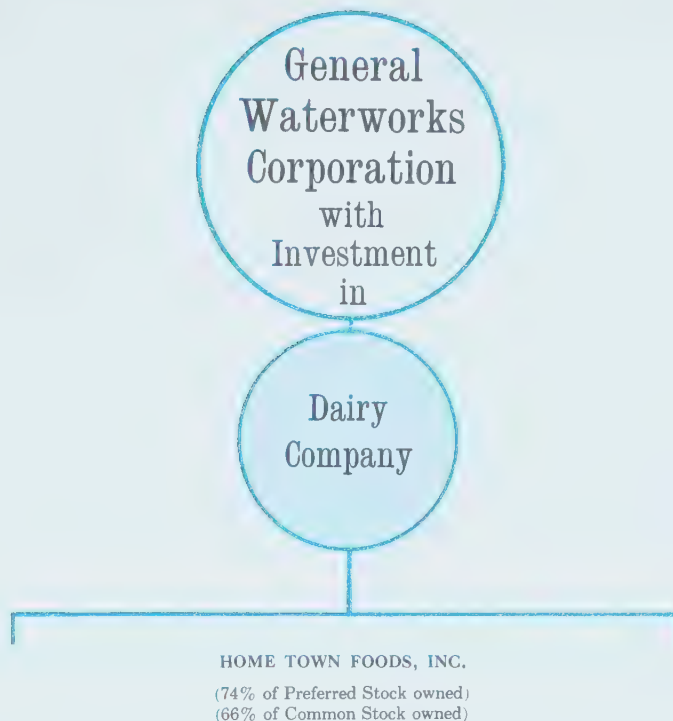
Home Town Foods, Inc., a controlled subsidiary, is engaged in the processing, manufacturing and distribution of fluid milk, ice cream, dairy specialty and allied food products throughout the Southeastern region of the United States and Puerto Rico. Presently these products are being distributed under the brand name of "Foremost", but eventually the product line will carry the trade mark of "Farmbest" and "Pixieland". On January 1, 1965, Home Town purchased the assets of the Southeastern region of Foremost Dairies, Inc.

The home office is located in Jacksonville, Florida, and business is transacted in Florida, Georgia, Alabama, Mississippi, Tennessee, South Carolina, North Carolina, Virginia, West Virginia, Kentucky, Ohio and Puerto Rico. Approximately 85% of the sales are to wholesale and institutional outlets such as chain stores, restaurants, hotels, schools, military and other distributors. The remainder is sold by home delivery to consumers.

Milk is processed in eleven plants spread throughout the company's distribution area. Ice cream is manufactured at five plants and the plant in Columbia, Tennessee produces powdered and condensed milk. In addition to the processing plants, the company maintains plants in other cities primarily as storage and distribution centers.

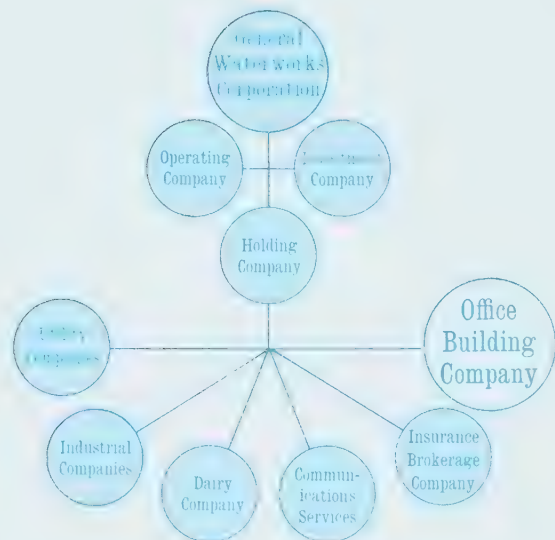
Milk is purchased from farmer cooperatives and in some cases directly from producers. The price paid to the producers for the milk is controlled by the Federal Government in some states and by State Milk Commissions in other states.

The product line has been expanded to include vegetable fat products, snacks and other food items which can be readily and profitably distributed on the trucks and through the facilities presently in existence.



1966 Financial Information

Total assets	\$23,674,000
Net sales	72,367,000
Contribution to consolidated net income	196,000
Control acquired	January 1965



The 22-story office building acquired in 1957 is located at the southwest corner of Fifteenth and Walnut Streets in downtown Philadelphia, Pa. The building is ideally situated, being only three city blocks from the main commuter railroad terminals and only a block or two away from the city's two subway systems.

A 21-story addition to the building was completed in 1965 doubling the amount of rentable office space. The combined building now has over a quarter million square feet of rental office space, all of which is rented. The building is completely air-conditioned and serviced by new automatically controlled elevators.

An adjoining four level parking garage was also constructed by the building corporation as part of the above addition.

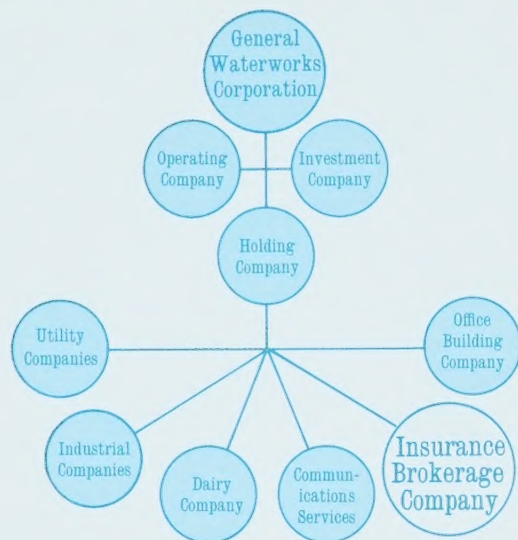
General
Waterworks
Corporation
with
Investment
in

Office
Building
Company

FIFTEENTH STREET BUILDING CORPORATION
(100% owned)

1966 Financial Information

Total assets	\$9,531,000
Gross rentals	\$670,000
Control acquired	June 1957



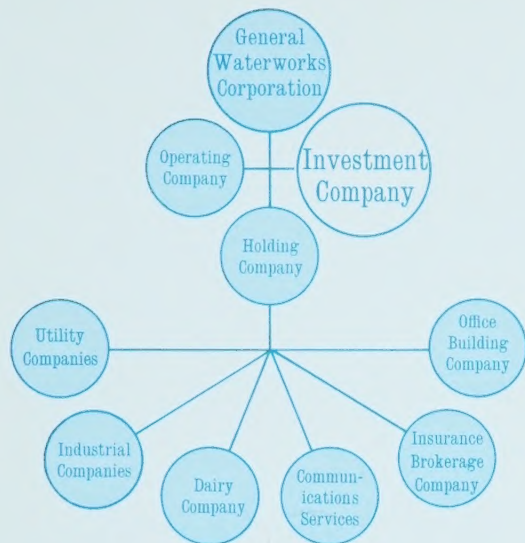
Seltzer, Mitchell, Coyle Co. is the newest addition to the expanding service segment of General's areas of operations.

This subsidiary was acquired in June 1966 and is licensed to do business in 31 states. It is expertly staffed to provide counseling to individuals, firms and corporations in matters pertaining to all forms of insurance.

Headquartered in Philadelphia, this service organization reviews the insurance programs of all affiliated companies and counts many large corporations not affiliated with General as its clients.

1966 Financial Information

Total assets	\$772,000
Commission earned	564,000
Contribution to consolidated net income	52,000



General Waterworks Corporation also maintains minority interest investments in various utility and non-utility companies. The principal investments at June 1, 1967 were:

363,650 shares	Continental Telephone Corp. Common Stock
412,000 shares	International Utilities Corp. Common Stock
27,000 shares	International Utilities Corp. \$1.32 Preferred Stock
42,600 shares	New York Central Railroad Co. Common Stock

The Company proposes to sell 338,900 shares of its Continental Telephone Corporation stock in a secondary offering under a registration statement currently filed with the Securities and Exchange Commission.

Gains on sales of properties and investments are a normal part of the Company's successful operations. Such gains have occurred in 23 of the 25 years General Waterworks has been in existence. The following is a summary of profits made from the sale of investments and properties in recent years:

	<i>Profit from Sales</i>	
	<i>Investments</i>	<i>Properties</i>
1966	\$ (576,000)	\$8,659,000
1965	1,442,000	81,000
1964	734,000	1,133,000
1963	640,000	3,203,000
1962	42,000	314,000

General
Waterworks
Corporation



Home Office 3219 Philadelphia Pike, Claymont, Delaware 19703